

State of Arizona
House of Representatives
Forty-eighth Legislature
Second Regular Session
2008

HOUSE BILL 2211

AN ACT

AMENDING SECTIONS 5-504, 5-505, 5-507, 5-522, 5-523, 15-185, 15-901 AND 15-901.02, ARIZONA REVISED STATUTES; AMENDING SECTION 15-904, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2008, CHAPTER 206, SECTION 1; AMENDING TITLE 15, CHAPTER 9, ARTICLE 1, ARIZONA REVISED STATUTES, BY ADDING SECTION 15-910.04; AMENDING SECTIONS 15-943, 15-945, 15-947, 15-947.01 AND 15-977, ARIZONA REVISED STATUTES; AMENDING TITLE 15, CHAPTER 13, ARTICLE 5, ARIZONA REVISED STATUTES, BY ADDING SECTION 15-1682.03; AMENDING SECTIONS 15-1851, 15-1852, 15-1853, 15-1854, 15-1855, 15-1871, 15-1874, 15-1875 AND 15-2011, ARIZONA REVISED STATUTES; AMENDING TITLE 15, CHAPTER 16, ARTICLE 4, ARIZONA REVISED STATUTES, BY ADDING SECTION 15-2032; AMENDING SECTIONS 28-8101, 28-8103 AND 41-1276, ARIZONA REVISED STATUTES; REPEALING SECTIONS 41-3008.14 AND 41-3008.19, ARIZONA REVISED STATUTES; AMENDING TITLE 41, CHAPTER 27, ARTICLE 2, ARIZONA REVISED STATUTES, BY ADDING SECTIONS 41-3010.24 AND 41-3018.19; REPEALING LAWS 2006, CHAPTER 375, SECTION 6; REPEALING LAWS 2007, CHAPTER 264, SECTION 14; MAKING APPROPRIATIONS; RELATING TO KINDERGARTEN THROUGH HIGHER EDUCATION BUDGET RECONCILIATION.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Section 5-504, Arizona Revised Statutes, is amended to
3 read:

4 5-504. Commission; director; powers and duties; definitions

5 A. The commission shall meet with the director not less than once each
6 quarter to make recommendations and set policy, receive reports from the
7 director and transact other business properly brought before the commission.

8 B. The commission shall oversee a state lottery to produce the maximum
9 amount of net revenue consonant with the dignity of the state. To achieve
10 these ends, the commission shall authorize the director to adopt rules in
11 accordance with title 41, chapter 6. Rules adopted by the director may
12 include provisions relating to the following:

13 1. Subject to the approval of the commission, the types of lottery
14 games and the types of game play-styles to be conducted.

15 2. The method of selecting the winning tickets or shares for
16 noncomputerized ~~on-line~~ ONLINE games, except that no method may be used
17 which, in whole or in part, depends on the results of a dog race, a horse
18 race or any sporting event.

19 3. The manner of payment of prizes to the holders of winning tickets
20 or shares, including providing for payment by the purchase of annuities in
21 the case of prizes payable in installments, except that the commission staff
22 shall examine claims and may not pay any prize based on altered, stolen or
23 counterfeit tickets or based on any tickets which fail to meet established
24 validation requirements, including rules stated on the ticket or in the
25 published game rules, and confidential validation tests applied consistently
26 by the commission staff. No particular prize in a lottery game may be paid
27 more than once, and in the event of a binding determination that more than
28 one person is entitled to a particular prize, the sole remedy of the
29 claimants is the award to each of them of an equal portion of the single
30 prize.

31 4. The method to be used in selling tickets or shares, except that no
32 elected official's name may be printed on such tickets or shares. The
33 overall estimated odds of winning some prize or some cash prize, as
34 appropriate, in a given game shall be printed on each ticket or share.

35 5. The licensing of agents to sell tickets or shares, except that a
36 person WHO IS under ~~the age of~~ eighteen YEARS OF AGE shall not be licensed as
37 an agent.

38 6. The manner and amount of compensation to be paid licensed sales
39 agents necessary to provide for the adequate availability of tickets or
40 shares to prospective buyers and for the convenience of the public, including
41 provision for variable compensation based on sales volume.

42 7. Matters necessary or desirable for the efficient and economical
43 operation and administration of the lottery and for the convenience of the
44 purchasers of tickets or shares and the holders of winning tickets or shares.

1 C. The commission shall authorize the director to issue orders and
2 shall approve orders issued by the director for the necessary operation of
3 the lottery. Orders issued under this subsection may include provisions
4 relating to the following:

5 1. The prices of tickets or shares in lottery games.

6 2. The themes, game play-styles, and names of lottery games and
7 definitions of symbols and other characters used in lottery games, except
8 that each ticket or share in a lottery game shall bear a unique
9 distinguishable serial number.

10 3. The sale of tickets or shares at a discount for promotional
11 purposes.

12 4. The prize structure of lottery games, including the number and size
13 of prizes available. Available prizes may include free tickets in lottery
14 games and merchandise prizes.

15 5. The frequency of drawings, if any, or other selections of winning
16 tickets or shares, except that:

17 (a) All drawings shall be open to the public.

18 (b) The actual selection of winning tickets or shares may not be
19 performed by an employee or member of the commission.

20 (c) Noncomputerized ~~on-line~~ ONLINE game drawings shall be witnessed by
21 an independent observer.

22 6. Requirements for eligibility for participation in grand drawings or
23 other runoff drawings, including requirements for the submission of evidence
24 of eligibility within a shorter period than that provided for claims by
25 section 5-518.

26 7. Incentive and bonus programs designed to increase sales of lottery
27 tickets or shares and to produce the maximum amount of net revenue for this
28 state.

29 D. Notwithstanding title 41, chapter 6 and subsection B of this
30 section, the director, subject to the approval of the commission, may
31 establish a policy, procedure or practice that relates to an existing ~~on-line~~
32 ONLINE game or a new ~~on-line~~ ONLINE game which is the same type and has the
33 same type of game play-style as an ~~on-line~~ ONLINE game currently being
34 conducted by the lottery or may modify an existing rule for an existing
35 ~~on-line~~ ONLINE game or a new ~~on-line~~ ONLINE game which is the same type and
36 has the same type of game play-style as an ~~on-line~~ ONLINE game currently
37 being conducted by the lottery, including establishing or modifying the
38 matrix for an ~~on-line~~ ONLINE game by giving notice of the establishment or
39 modification at least thirty days before the effective date of the
40 establishment or modification.

41 E. The commission shall maintain and make the following information
42 available for public inspection at its offices during regular business hours:

43 1. A detailed listing of the estimated number of prizes of each
44 particular denomination expected to be awarded in any instant game currently
45 on sale.

1 2. After the end of the claim period prescribed by section 5-518, a
2 listing of the total number of tickets or shares sold and the number of
3 prizes of each particular denomination awarded in each lottery game.

4 3. Definitions of all play symbols and other characters used in each
5 lottery game and instructions on how to play and how to win each lottery
6 game.

7 F. Any information that is maintained by the commission and that would
8 assist a person in locating or identifying a winning ticket or share or that
9 would otherwise compromise the integrity of any lottery game is deemed
10 confidential and is not subject to public inspection.

11 G. The commission ~~shall~~, in addition to other games authorized by this
12 article, **SHALL** establish two special games for each year to be conducted
13 concurrently with other lottery games authorized under subsection B of this
14 section. The monies for prizes, for operating expenses and for payment to
15 the commerce and economic development commission fund, as provided in section
16 5-522, subsection A, paragraph ~~3- 2~~, shall be accounted for separately as
17 nearly as practicable in the lottery commission's general accounting system.
18 The monies shall be derived from the revenues of the special games, and
19 monies for prizes do not become an expense to the lottery commission's annual
20 appropriation as provided in section 5-505, subsection D and section 5-522,
21 subsection ~~H- L~~. Monies saved from the revenues of the special games, by
22 reason of operating efficiencies, shall become other revenue of the lottery
23 commission and revert to the state general fund.

24 H. The commission ~~may~~, in addition to other games authorized by this
25 article, **MAY** establish multistate lottery games to be conducted concurrently
26 with other lottery games authorized under subsections B and ~~H- G~~ of this
27 section. The monies for prizes, for operating expenses and for payment to
28 the local transportation assistance fund, as provided in section 28-8101, and
29 the state general fund shall be accounted for separately as nearly as
30 practicable in the lottery commission's general accounting system. The
31 monies shall be derived from the revenues of multistate lottery games.

32 I. The commission or director shall not establish or operate any
33 ~~on-line~~ **ONLINE** or electronic keno game or any game played on the internet.

34 **J. THE COMMISSION OR DIRECTOR SHALL NOT ESTABLISH OR OPERATE ANY**
35 **LOTTERY GAME OR ANY TYPE OF GAME PLAY STYLE, EITHER INDIVIDUALLY OR IN**
36 **COMBINATION, THAT USES GAMING DEVICES OR VIDEO LOTTERY TERMINALS AS THOSE**
37 **TERMS ARE USED IN SECTION 5-601.02, INCLUDING MONITOR GAMES THAT PRODUCE OR**
38 **DISPLAY OUTCOMES OR RESULTS MORE THAN ONCE PER HOUR.**

39 ~~J- K~~. K. The director shall print, in a prominent location on each
40 lottery ticket or share, a statement that help is available if a person has a
41 problem with gambling and a toll free telephone number where problem gambling
42 assistance is available. The director shall require all licensed agents to
43 post a sign with the statement that help is available if a person has a
44 problem with gambling and the toll free telephone number at the point of sale

1 as prescribed and supplied by the director. The requirements of this
2 subsection apply to tickets and shares printed after July 18, 2000.

3 ~~K.~~ L. For the purposes of this section:

4 1. "Game play-style" means the process or procedure that a player must
5 follow to determine if a lottery ticket or share is a winning ticket or
6 share.

7 2. "Matrix" means the odds of winning a prize and the prize payout
8 amounts in a given game.

9 Sec. 2. Section 5-505, Arizona Revised Statutes, is amended to read:

10 5-505. Apportionment of revenue

11 A. Not more than eighteen and one-half per cent of the total annual
12 revenues accruing from the sale of lottery tickets or shares and from all
13 other sources shall be deposited in the state lottery fund established
14 ~~pursuant to~~ BY section 5-521 to be expended for the following:

15 1. The payment of costs incurred in the operation and administration
16 of the lottery, including the expenses of the commission and the costs
17 resulting from any contract or contracts entered into for consulting or
18 operational services, ~~or for promotional and advertising services. Not more~~
19 ~~than four per cent of the total annual gross revenues of the lottery shall be~~
20 ~~expended for promotional or advertising services.~~

21 2. Independent audits, which shall be performed annually in addition
22 to the audits required by section 5-524.

23 3. Incentive programs for lottery sales agents and lottery employees.

24 4. Payment of compensation to licensed sales agents necessary to
25 provide for the adequate availability of tickets or services to prospective
26 buyers and for the convenience of the public. Compensation of licensed sales
27 agents shall be at least ~~six~~ FIVE and one-half per cent but not more than
28 ~~seven~~ EIGHT per cent of the price of each ticket or share that a retail sales
29 agent sells in instant games and ~~on-line~~ ONLINE games, less the price of any
30 tickets or shares that are voided.

31 5. The payment of reasonable fees to redemption agents as authorized
32 by section 5-519.

33 6. The purchase or lease of lottery equipment, tickets and materials.

34 ~~B. Not less than twenty nine per cent of the total annual revenues~~
35 ~~accruing from the sale of lottery tickets or shares in on-line games and not~~
36 ~~less than twenty one and one-half per cent of the total annual revenues~~
37 ~~accruing from the sale of lottery tickets or shares in instant games shall be~~
38 ~~deposited in the state lottery fund established pursuant to section 5-521 to~~
39 ~~be used as prescribed in section 5-522, subsection A, paragraphs 3, 4, 5 and~~
40 ~~6, and section 5-522, subsections B, C, D and E.~~

41 ~~C.~~ B. Not less than fifty per cent of the total annual revenues
42 accruing from the sale of lottery tickets or shares shall be deposited in the
43 state lottery prize fund established ~~pursuant to~~ BY section 5-523 for payment
44 of prizes to the holders of winning tickets or shares or for other purposes
45 provided for in section 5-518.

1 C. ALL OTHER REVENUES ACCRUING FROM THE SALE OF LOTTERY TICKETS OR
2 SHARES IN ONLINE GAMES OR INSTANT GAMES SHALL BE DEPOSITED IN THE STATE
3 LOTTERY FUND ESTABLISHED BY SECTION 5-521 TO BE USED AS PRESCRIBED BY SECTION
4 5-522.

5 D. Except for monies for prizes expended as provided in section 5-504,
6 subsection ~~H- G~~ and section 41-1505.10, monies expended under subsection A of
7 this section shall be subject to legislative appropriation.

8 Sec. 3. Section 5-507, Arizona Revised Statutes, is amended to read:
9 ~~5-507.~~ Monthly reports; annual reports

10 A. The director shall make a monthly report to the commission, the
11 governor, the speaker of the house of representatives and the president of
12 the senate. The monthly report shall include the total lottery revenue,
13 prize disbursements and other expenses for the preceding month.

14 B. THE DIRECTOR SHALL MAKE A REPORT ON OR BEFORE AUGUST 15 OF EACH
15 YEAR TO THE DIRECTOR OF THE JOINT LEGISLATIVE BUDGET COMMITTEE AND THE
16 DIRECTOR OF THE GOVERNOR'S OFFICE OF STRATEGIC PLANNING AND BUDGETING
17 CONTAINING:

18 1. A SUMMARY OF THE CRITERIA USED TO EVALUATE EMPLOYEE PERFORMANCE AND
19 DISTRIBUTION OF ANY APPROPRIATION FOR THE PRECEDING FISCAL YEAR AS
20 PERFORMANCE PAY.

21 2. AN ACCOUNTING OF TOTAL DISTRIBUTIONS OF THAT APPROPRIATION.

22 3. THE PERCENTAGES OF THAT DISTRIBUTION THAT WERE BASED ON INDIVIDUAL
23 EMPLOYEE PERFORMANCE AND ON LOTTERY SALES GOALS.

24 ~~B- C.~~ C. The commission shall make an annual report to the governor, the
25 speaker of the house of representatives and the president of the senate. The
26 annual report shall include a full and complete statement of lottery
27 revenues, prize disbursements and other expenses for the preceding years, and
28 recommendations for amendments to this chapter as the commission deems
29 necessary or desirable.

30 Sec. 4. Section 5-522, Arizona Revised Statutes, is amended to read:
31 ~~5-522.~~ Use of monies in state lottery fund; report

32 A. The monies in the state lottery fund shall be expended only for the
33 following purposes and in the order provided:

34 1. For the expenses of the commission incurred in carrying out its
35 powers and duties and in the operation of the lottery.

36 2. For payment to the commerce and economic development commission
37 fund established by section 41-1505.10 of not less than twenty-one and
38 one-half per cent of the revenues received from the sale of two special
39 lottery games conducted for the benefit of economic development.

40 3. Except as provided in subsection F of this section, for payment to
41 the local transportation assistance fund established by section 28-8101 of
42 not less than ~~twenty-nine per cent of the revenues received from the sale of~~
43 ~~multistate lottery games,~~ NINE MILLION DOLLARS, INCREASING EACH YEAR THAT
44 TOTAL REVENUES TO THE STATE LOTTERY FUND INCREASE up to a maximum of eighteen

1 million dollars each fiscal year, EXCEPT THAT PAYMENTS PURSUANT TO THIS
2 PARAGRAPH SHALL NOT INCREASE BY MORE THAN TEN PER CENT PER YEAR.

3 ~~4. For payment to the state general fund of not less than twenty one~~
4 ~~and one half per cent of the revenues received from the sale of any instant~~
5 ~~bingo games conducted by the state lottery and not less than twenty nine per~~
6 ~~cent of the revenues received from the sale of any on line three number games~~
7 ~~conducted by the state lottery, up to a maximum of ten million dollars each~~
8 ~~fiscal year, except that if on or before June 1 of each fiscal year the state~~
9 ~~lottery director determines that monies available to the Arizona state parks~~
10 ~~board heritage fund under subsection D of this section may not equal ten~~
11 ~~million dollars in that fiscal year or that the monies available to the~~
12 ~~Arizona game and fish commission heritage fund under subsection D of this~~
13 ~~section may not equal ten million dollars in that fiscal year, or both, the~~
14 ~~director shall authorize deposits to the Arizona state parks board heritage~~
15 ~~fund in an amount so that the total monies in that fund in that fiscal year~~
16 ~~equal ten million dollars or to the Arizona game and fish commission heritage~~
17 ~~fund in an amount so that the total monies in that fund in that fiscal year~~
18 ~~equal ten million dollars, or both. The state lottery director shall not~~
19 ~~make any deposits pursuant to this paragraph until after the director's~~
20 ~~determination each fiscal year.~~

21 ~~5. Of the monies remaining in the state lottery fund from the sale of~~
22 ~~instant bingo games and on line three number games each fiscal year, thirty~~
23 ~~per cent shall be allocated to the funds and programs described in subsection~~
24 ~~E of this section and seventy per cent shall be deposited in the local~~
25 ~~transportation assistance fund established by section 28-8101. The director~~
26 ~~shall not allocate more than the amount specified in subsection E of this~~
27 ~~section for each fiscal year to the funds and programs described in~~
28 ~~subsection E of this section from the state lottery fund pursuant to this~~
29 ~~paragraph and subsection E of this section. A maximum of eighteen million~~
30 ~~dollars may be deposited in the local transportation assistance fund each~~
31 ~~fiscal year from the state lottery fund pursuant to this paragraph and~~
32 ~~paragraph 3 of this subsection.~~

33 B. Of the monies remaining in the state lottery fund after the
34 appropriations authorized in subsection A of this section, ~~seventy five per~~
35 ~~cent~~ up to a maximum of twenty-three million dollars each fiscal year shall
36 be deposited in the local transportation assistance fund established by
37 section 28-8101 and ~~twenty-five per cent~~ up to a maximum of seven million six
38 hundred fifty thousand dollars each fiscal year shall be deposited in the
39 county assistance fund established by section 41-175. Monies distributed
40 pursuant to this subsection shall be in addition to monies distributed
41 pursuant to subsection A, ~~paragraphs~~ PARAGRAPH 3 ~~and 5~~ of this section.

42 C. Notwithstanding subsection B of this section, if the state lottery
43 director determines at the beginning of any fiscal year that monies available
44 to cities, towns and counties under this section may not equal thirty million
45 six hundred fifty thousand dollars, the director shall not authorize deposits

1 to the county assistance fund until the deposits to the local transportation
2 assistance fund equal twenty-three million dollars.

3 D. Of the monies remaining in the state lottery fund each fiscal year
4 after appropriations and deposits authorized in subsections A, B and C of
5 this section, ten million dollars shall be deposited in the Arizona state
6 parks board heritage fund established by section 41-502 and ten million
7 dollars shall be deposited in the Arizona game and fish commission heritage
8 fund established by section 17-297.

9 E. Of the monies remaining in the state lottery fund each fiscal year
10 after appropriations and deposits authorized in subsections A, B, C and D of
11 this section, and appropriations and deposits to the local transportation
12 assistance fund authorized by this section, five million dollars shall be
13 allocated to the department of economic security for the healthy families
14 program established by section 8-701, four million dollars shall be allocated
15 to the Arizona board of regents for the Arizona area health education system
16 established by section 15-1643, three million dollars shall be allocated to
17 the department of health services to fund the teenage pregnancy prevention
18 programs established in Laws 1995, chapter 190, sections 2 and 3, two million
19 dollars shall be allocated to the department of health services for the
20 health start program established by section 36-697, two million dollars shall
21 be deposited in the disease control research fund established by section
22 36-274 and one million dollars shall be allocated to the department of health
23 services for the federal women, infants and children food program. The
24 allocations in this subsection shall be adjusted annually according to
25 changes in the GDP price deflator as defined in section 41-563 and the
26 allocations are exempt from the provisions of section 35-190, relating to
27 lapsing of appropriations. If there are not sufficient monies available
28 pursuant to this subsection, the allocation of monies for each program shall
29 be reduced on a pro rata basis.

30 F. Notwithstanding subsection A, paragraph 3 of this section, if the
31 state lottery director determines that monies available to the state general
32 fund ~~from the sale of multistate lottery games~~ may not equal thirty-one
33 million dollars in a fiscal year, the director shall not authorize deposits
34 to the local transportation assistance fund pursuant to subsection A,
35 paragraph 3 of this section until the deposits to the state general fund ~~from~~
36 ~~the sale of multistate lottery games~~ equal thirty-one million dollars in a
37 fiscal year.

38 G. Of the monies remaining in the state lottery fund each fiscal year
39 after appropriations and deposits authorized in subsections A through F of
40 this section, one million dollars or the remaining balance in the fund,
41 whichever is less, is appropriated to the department of economic security for
42 grants to nonprofit organizations, including faith based organizations, for
43 homeless emergency and transitional shelters and related support services.
44 The department of economic security shall submit a report on the amounts,
45 recipients, purposes and results of each grant to the governor, the speaker

1 of the house of representatives and the president of the senate on or before
2 December 31 of each year for the prior fiscal year and shall provide a copy
3 of this report to the secretary of state and the director of the Arizona
4 state library, archives and public records.

5 H. BEGINNING IN FISCAL YEAR 2009-2010, OF THE MONIES REMAINING IN THE
6 STATE LOTTERY FUND EACH FISCAL YEAR AFTER APPROPRIATIONS AND DEPOSITS
7 AUTHORIZED IN SUBSECTIONS A THROUGH G OF THIS SECTION, AND AFTER A TOTAL OF
8 AT LEAST FORTY-SIX MILLION FOUR HUNDRED NINETY THOUSAND DOLLARS HAS BEEN
9 DEPOSITED IN THE STATE GENERAL FUND, THE REMAINING BALANCE IN THE STATE
10 LOTTERY FUND SHALL BE DEPOSITED IN THE UNIVERSITY CAPITAL IMPROVEMENT
11 LEASE-TO-OWN AND BOND FUND ESTABLISHED BY SECTION 15-1682.03, UP TO A MAXIMUM
12 OF EIGHTY PER CENT OF THE TOTAL ANNUAL PAYMENTS OF LEASE-TO-OWN AND BOND
13 AGREEMENTS ENTERED INTO BY THE ARIZONA BOARD OF REGENTS.

14 I. BEGINNING IN FISCAL YEAR 2009-2010, OF THE MONIES REMAINING IN THE
15 STATE LOTTERY FUND EACH FISCAL YEAR AFTER APPROPRIATIONS AND DEPOSITS
16 AUTHORIZED IN SUBSECTIONS A THOROUGH H OF THIS SECTION, TEN MILLION DOLLARS
17 OR THE REMAINING BALANCE IN THE FUND, WHICHEVER IS LESS, IS APPROPRIATED TO
18 THE DEPARTMENT OF ENVIRONMENTAL QUALITY'S WATER SUPPLY DEVELOPMENT FUND LINE
19 ITEM.

20 J. BEGINNING IN FISCAL YEAR 2009-2010, OF THE MONIES REMAINING IN THE
21 STATE LOTTERY FUND EACH FISCAL YEAR AFTER APPROPRIATIONS AND DEPOSITS
22 AUTHORIZED IN SUBSECTIONS A THROUGH I OF THIS SECTION, THREE MILLION DOLLARS
23 OR THE REMAINING BALANCE IN THE FUND, WHICHEVER IS LESS, IS APPROPRIATED TO
24 THE COMMUNITY PROTECTION INITIATIVE FUND ESTABLISHED BY SECTION 37-641.

25 ~~H.~~ K. All monies remaining in the state lottery fund after the
26 appropriations and deposits authorized in this section shall be deposited in
27 the state general fund.

28 ~~I.~~ L. Except for monies expended for prizes as provided in section
29 5-504, subsection G and section 41-1505.10, monies expended under subsection
30 A of this section are subject to legislative appropriation.

31 Sec. 5. Section 5-523, Arizona Revised Statutes, is amended to read:

32 5-523. State lottery prize fund; setoff for state debts;
33 notification to department of economic security

34 A. The state lottery prize fund is established. That portion of the
35 gross proceeds which is apportioned pursuant to section 5-505, subsection ~~C~~
36 B shall be deposited, pursuant to sections 35-146 and 35-147, directly in the
37 state lottery prize fund as the commission receives such proceeds and shall
38 be available for payment of prizes to the holders of winning tickets or
39 shares or for the other purposes provided for in section 5-518. Procedures
40 for payments to winners from this fund shall be established by rule or order
41 of the commission. Notwithstanding any other statute, transfers or payments
42 to or from the state lottery prize fund are not appropriations by the
43 legislature, and deposits in the state lottery prize fund are not subject to
44 appropriation by the legislature.

1 B. Payments to winners which are payable by the commission or lottery
2 redemption agents pursuant to this section in an amount of six hundred
3 dollars or more are subject to setoff under section 5-525.

4 C. The commission shall furnish the department of economic security
5 with the names and the social security numbers of persons who are paid
6 lottery prizes or winnings in an amount of six hundred dollars or more
7 pursuant to this section for purposes prescribed by section 41-1965. The
8 department of economic security shall pay the commission for the cost of
9 furnishing the information.

10 Sec. 6. Section 15-185, Arizona Revised Statutes, is amended to read:
11 15-185. Charter schools; financing; civil penalty; definitions

12 A. Financial provisions for a charter school that is sponsored by a
13 school district governing board are as follows:

14 1. The charter school shall be included in the district's budget and
15 financial assistance calculations pursuant to paragraph 3 of this subsection
16 and chapter 9 of this title, except for chapter 9, article 4 of this title.
17 The charter of the charter school shall include a description of the methods
18 of funding the charter school by the school district. The school district
19 shall send a copy of the charter and application, including a description of
20 how the school district plans to fund the school, to the state board of
21 education before the start of the first fiscal year of operation of the
22 charter school. The charter or application shall include an estimate of the
23 student count for the charter school for its first fiscal year of operation.
24 This estimate shall be computed pursuant to the requirements of paragraph 3
25 of this subsection.

26 2. A school district is not financially responsible for any charter
27 school that is sponsored by the state board of education or the state board
28 for charter schools.

29 3. A school district that sponsors a charter school may:

30 (a) Increase its student count as provided in subsection B, paragraph
31 2 of this section during the first year of the charter school's operation to
32 include those charter school pupils who were not previously enrolled in the
33 school district. A charter school sponsored by a school district governing
34 board is eligible for the assistance prescribed in subsection B, paragraph 4
35 of this section. The soft capital allocation as provided in section 15-962
36 for the school district sponsoring the charter school shall be increased by
37 the amount of the additional assistance. The school district shall include
38 the full amount of the additional assistance in the funding provided to the
39 charter school.

40 (b) Compute separate weighted student counts pursuant to section
41 15-943, paragraph 2, subdivision (a) for its noncharter school versus charter
42 school pupils in order to maintain eligibility for small school district
43 support level weights authorized in section 15-943, paragraph 1 for its
44 noncharter school pupils only. The portion of a district's student count

1 that is attributable to charter school pupils is not eligible for small
2 school district support level weights.

3 4. If a school district uses the provisions of paragraph 3 of this
4 subsection, the school district is not eligible to include those pupils in
5 its student count for the purposes of computing an increase in its revenue
6 control limit and district support level as provided in section 15-948.

7 5. A school district that sponsors a charter school is not eligible to
8 include the charter school pupils in its student count for the purpose of
9 computing an increase in its capital outlay revenue limit as provided in
10 section 15-961, subsection C, except that if the charter school was
11 previously a school in the district, the district may include in its student
12 count any charter school pupils who were enrolled in the school district in
13 the prior year.

14 6. A school district that sponsors a charter school is not eligible to
15 include the charter school pupils in its student count for the purpose of
16 computing the revenue control limit which is used to determine the maximum
17 budget increase as provided in chapter 4, article 4 of this title unless the
18 charter school is located within the boundaries of the school district.

19 7. If a school district converts one or more of its district public
20 schools to a charter school and receives assistance as prescribed in
21 subsection B, paragraph 4 of this section, and subsequently converts the
22 charter school back to a district public school, the school district shall
23 repay the state the total additional assistance received for the charter
24 school for all years that the charter school was in operation. The repayment
25 shall be in one lump sum and shall be reduced from the school district's
26 current year equalization assistance. The school district's general budget
27 limit shall be reduced by the same lump sum amount in the current year.

28 B. Financial provisions for a charter school that is sponsored by the
29 state board of education or the state board for charter schools are as
30 follows:

31 1. The charter school shall calculate a base support level as
32 prescribed in section 15-943, except that sections 15-941 and 15-942 do not
33 apply to these charter schools.

34 2. Notwithstanding paragraph 1 of this subsection, the student count
35 shall be determined initially using an estimated student count based on
36 actual registration of pupils before the beginning of the school year. After
37 the first one hundred days or two hundred days in session, as applicable, the
38 charter school shall revise the student count to be equal to the actual
39 average daily membership, as defined in section 15-901, or the adjusted
40 average daily membership, as prescribed in section 15-902, of the charter
41 school. Before the one hundredth day or two hundredth day in session, as
42 applicable, the state board of education or the state board for charter
43 schools may require a charter school to report periodically regarding pupil
44 enrollment and attendance and the department of education may revise its
45 computation of equalization assistance based on the report. A charter school

1 shall revise its student count, base support level and additional assistance
2 before May 15. A charter school that overestimated its student count shall
3 revise its budget before May 15. A charter school that underestimated its
4 student count may revise its budget before May 15.

5 3. A charter school may utilize section 15-855 for the purposes of
6 this section. The charter school and the department of education shall
7 prescribe procedures for determining average daily attendance and average
8 daily membership.

9 4. Equalization assistance for the charter school shall be determined
10 by adding the amount of the base support level and additional assistance.
11 The amount of the additional assistance is one thousand four hundred
12 ~~forty-five~~ SEVENTY-FOUR dollars ~~twenty-five~~ SIXTEEN cents per student count
13 in kindergarten programs and grades one through eight and one thousand ~~six~~
14 SEVEN hundred ~~eighty-four~~ EIGHTEEN dollars ~~forty-one~~ TEN cents per student
15 count in grades nine through twelve.

16 5. The state board of education shall apportion state aid from the
17 appropriations made for such purposes to the state treasurer for disbursement
18 to the charter schools in each county in an amount as determined by this
19 paragraph. The apportionments shall be made in twelve equal installments of
20 the total amount to be apportioned during the fiscal year on the fifteenth
21 day of each month of the fiscal year.

22 6. Notwithstanding paragraph 5 of this subsection, if sufficient
23 appropriated monies are available after the first forty days in session of
24 the current year, a charter school may request additional state monies to
25 fund the increased state aid due to anticipated student growth through the
26 first one hundred days or two hundred days in session, as applicable, of the
27 current year as provided in section 15-948. In no event shall a charter
28 school have received more than three-fourths of its total apportionment
29 before April 15 of the fiscal year. Early payments pursuant to this
30 subsection must be approved by the state treasurer, the director of the
31 department of administration and the superintendent of public instruction.

32 7. The charter school shall not charge tuition, levy taxes or issue
33 bonds.

34 8. Not later than noon on the day preceding each apportionment date
35 established by paragraph 5 of this subsection, the superintendent of public
36 instruction shall furnish to the state treasurer an abstract of the
37 apportionment and shall certify the apportionment to the department of
38 administration, which shall draw its warrant in favor of the charter schools
39 for the amount apportioned.

40 C. If a pupil is enrolled in both a charter school and a public school
41 that is not a charter school, the sum of the daily membership, which includes
42 enrollment as prescribed in section 15-901, subsection A, paragraph 2,
43 subdivisions (a) and (b) and daily attendance as prescribed in section
44 15-901, subsection A, paragraph 6, for that pupil in the school district and
45 the charter school shall not exceed 1.0, except that if the pupil is enrolled

1 in both a charter school and a joint technological education district and
2 resides within the boundaries of a school district participating in the joint
3 technological education district, the sum of the average daily membership for
4 that pupil in the charter school and the joint technological education
5 district shall not exceed 1.25. If a pupil is enrolled in both a charter
6 school and a public school that is not a charter school, the department of
7 education shall direct the average daily membership to the school with the
8 most recent enrollment date. Upon validation of actual enrollment in both a
9 charter school and a public school that is not a charter school and if the
10 sum of the daily membership or daily attendance for that pupil is greater
11 than 1.0, the sum shall be reduced to 1.0 and shall be apportioned between
12 the public school and the charter school based on the percentage of total
13 time that the pupil is enrolled or in attendance in the public school and the
14 charter school, except that if the pupil is enrolled in both a charter school
15 and a joint technological education district and resides within the
16 boundaries of a school district participating in the joint technological
17 education district, the sum of the average daily membership for that pupil in
18 the charter school and the joint technological education district shall be
19 reduced to 1.25 and shall be apportioned between the charter school and the
20 joint technological education district based on the percentage of total time
21 that the pupil is enrolled or in attendance in the charter school and the
22 joint technological education district. The uniform system of financial
23 records shall include guidelines for the apportionment of the pupil
24 enrollment and attendance as provided in this section.

25 D. Charter schools are allowed to accept grants and gifts to
26 supplement their state funding, but it is not the intent of the charter
27 school law to require taxpayers to pay twice to educate the same pupils. The
28 base support level for a charter school or for a school district sponsoring a
29 charter school shall be reduced by an amount equal to the total amount of
30 monies received by a charter school from a federal or state agency if the
31 federal or state monies are intended for the basic maintenance and operations
32 of the school. The superintendent of public instruction shall estimate the
33 amount of the reduction for the budget year and shall revise the reduction to
34 reflect the actual amount before May 15 of the current year. If the
35 reduction results in a negative amount, the negative amount shall be used in
36 computing all budget limits and equalization assistance, except that:

37 1. Equalization assistance shall not be less than zero.

38 2. For a charter school sponsored by the state board of education or
39 the state board for charter schools, the total of the base support level, the
40 capital outlay revenue limit, the soft capital allocation and the additional
41 assistance shall not be less than zero.

42 3. For a charter school sponsored by a school district, the base
43 support level for the school district shall not be reduced by more than the
44 amount that the charter school increased the district's base support level,
45 capital outlay revenue limit and soft capital allocation.

1 E. If a charter school was a district public school in the prior year
2 and is now being operated for or by the same school district and sponsored by
3 the state board of education, the state board for charter schools or a school
4 district governing board, the reduction in subsection D of this section
5 applies. The reduction to the base support level of the charter school or
6 the sponsoring district of the charter school shall equal the sum of the base
7 support level and the additional assistance received in the current year for
8 those pupils who were enrolled in the traditional public school in the prior
9 year and are now enrolled in the charter school in the current year.

10 F. Equalization assistance for charter schools shall be provided as a
11 single amount based on average daily membership without categorical
12 distinctions between maintenance and operations or capital.

13 G. At the request of a charter school, the county school
14 superintendent of the county where the charter school is located may provide
15 the same educational services to the charter school as prescribed in section
16 15-308, subsection A. The county school superintendent may charge a fee to
17 recover costs for providing educational services to charter schools.

18 H. If the sponsor of the charter school determines at a public meeting
19 that the charter school is not in compliance with federal law, with the laws
20 of this state or with its charter, the sponsor of a charter school may submit
21 a request to the department of education to withhold up to ten per cent of
22 the monthly apportionment of state aid that would otherwise be due the
23 charter school. The department of education shall adjust the charter
24 school's apportionment accordingly. The sponsor shall provide written notice
25 to the charter school at least seventy-two hours before the meeting and shall
26 allow the charter school to respond to the allegations of noncompliance at
27 the meeting before the sponsor makes a final determination to notify the
28 department of education of noncompliance. The charter school shall submit a
29 corrective action plan to the sponsor on a date specified by the sponsor at
30 the meeting. The corrective action plan shall be designed to correct
31 deficiencies at the charter school and to ensure that the charter school
32 promptly returns to compliance. When the sponsor determines that the charter
33 school is in compliance, the department of education shall restore the full
34 amount of state aid payments to the charter school.

35 I. In addition to the withholding of state aid payments pursuant to
36 subsection H of this section, the sponsor of a charter school may impose a
37 civil penalty of one thousand dollars per occurrence if a charter school
38 fails to comply with the fingerprinting requirements prescribed in section
39 15-183, subsection C or section 15-512. The sponsor of a charter school
40 shall not impose a civil penalty if it is the first time that a charter
41 school is out of compliance with the fingerprinting requirements and if the
42 charter school provides proof within forty-eight hours of written
43 notification that an application for the appropriate fingerprint check has
44 been received by the department of public safety. The sponsor of the charter
45 school shall obtain proof that the charter school has been notified, and the

1 notification shall identify the date of the deadline and shall be signed by
2 both parties. The sponsor of a charter school shall automatically impose a
3 civil penalty of one thousand dollars per occurrence if the sponsor
4 determines that the charter school subsequently violates the fingerprinting
5 requirements. Civil penalties pursuant to this ~~section~~ SUBSECTION shall be
6 assessed by requesting the department of education to reduce the amount of
7 state aid that the charter school would otherwise receive by an amount equal
8 to the civil penalty. The amount of state aid withheld shall revert to the
9 state general fund at the end of the fiscal year.

10 J. A charter school may receive and spend monies distributed by the
11 department of education pursuant to section 42-5029, subsection E and section
12 37-521, subsection B.

13 K. For the purposes of this section:

14 1. "Monies intended for the basic maintenance and operations of the
15 school" means monies intended to provide support for the educational program
16 of the school, except that it does not include supplemental assistance for a
17 specific purpose or P.L. 81-874 monies. The auditor general shall determine
18 which federal or state monies meet the definition in this paragraph.

19 2. "Operated for or by the same school district" means the charter
20 school is either governed by the same district governing board or operated by
21 the district in the same manner as other traditional schools in the district
22 or is operated by an independent party that has a contract with the school
23 district. The auditor general and the department of education shall
24 determine which charter schools meet the definition in this subsection.

25 Sec. 7. Section 15-901, Arizona Revised Statutes, is amended to read:

26 15-901. Definitions

27 A. In this title, unless the context otherwise requires:

28 1. "Average daily attendance" or "ADA" means actual average daily
29 attendance through the first one hundred days or two hundred days in session,
30 as applicable.

31 2. "Average daily membership" means the total enrollment of fractional
32 students and full-time students, minus withdrawals, of each school day
33 through the first one hundred days or two hundred days in session, as
34 applicable, for the current year. Withdrawals include students formally
35 withdrawn from schools and students absent for ten consecutive school days,
36 except for excused absences as identified by the department of education.
37 For computation purposes, the effective date of withdrawal shall be
38 retroactive to the last day of actual attendance of the student.

39 (a) "Fractional student" means:

40 (i) For common schools, until fiscal year 2001-2002, a preschool child
41 who is enrolled in a program for preschool children with disabilities of at
42 least three hundred sixty minutes each week or a kindergarten student at
43 least five years of age prior to January 1 of the school year and enrolled in
44 a school kindergarten program that meets at least three hundred forty-six
45 instructional hours during the minimum number of days required in a school

1 year as provided in section 15-341. In fiscal year 2001-2002, the
2 kindergarten program shall meet at least three hundred forty-eight hours. In
3 fiscal year 2002-2003, the kindergarten program shall meet at least three
4 hundred fifty hours. In fiscal year 2003-2004, the kindergarten program
5 shall meet at least three hundred fifty-two hours. In fiscal year 2004-2005,
6 the kindergarten program shall meet at least three hundred fifty-four hours.
7 In fiscal year 2005-2006 and each fiscal year thereafter, the kindergarten
8 program shall meet at least three hundred fifty-six hours. Lunch periods and
9 recess periods may not be included as part of the instructional hours unless
10 the child's individualized education program requires instruction during
11 those periods and the specific reasons for such instruction are fully
12 documented. In computing the average daily membership, preschool children
13 with disabilities and kindergarten students shall be counted as one-half of a
14 full-time student. For common schools, a part-time student is a student
15 enrolled for less than the total time for a full-time student as defined in
16 this section. A part-time common school student shall be counted as
17 one-fourth, one-half or three-fourths of a full-time student if the student
18 is enrolled in an instructional program that is at least one-fourth, one-half
19 or three-fourths of the time a full-time student is enrolled as defined in
20 subdivision (b) of this paragraph.

21 (ii) For high schools, a part-time student who is enrolled in less
22 than four subjects that count toward graduation as defined by the state board
23 of education in a recognized high school and who is taught in less than
24 twenty instructional hours per week prorated for any week with fewer than
25 five school days. A part-time high school student shall be counted as
26 one-fourth, one-half or three-fourths of a full-time student if the student
27 is enrolled in an instructional program that is at least one-fourth, one-half
28 or three-fourths of a full-time instructional program as defined in
29 subdivision (c) of this paragraph.

30 (b) "Full-time student" means:

31 (i) For common schools, a student who is at least six years of age
32 prior to January 1 of a school year, who has not graduated from the highest
33 grade taught in the school district and who is regularly enrolled in a course
34 of study required by the state board of education. Until fiscal year
35 2001-2002, first, second and third grade students, ungraded students at least
36 six, but under nine, years of age by September 1 or ungraded group B children
37 with disabilities who are at least five, but under six, years of age by
38 September 1 must be enrolled in an instructional program that meets for a
39 total of at least six hundred ninety-two hours during the minimum number of
40 days required in a school year as provided in section 15-341. In fiscal year
41 2001-2002, the program shall meet at least six hundred ninety-six hours. In
42 fiscal year 2002-2003, the program shall meet at least seven hundred hours.
43 In fiscal year 2003-2004, the program shall meet at least seven hundred four
44 hours. In fiscal year 2004-2005, the program shall meet at least seven
45 hundred eight hours. In fiscal year 2005-2006 and in each fiscal year

1 thereafter, the program shall meet at least seven hundred twelve hours.
2 Until fiscal year 2001-2002, fourth, fifth and sixth grade students or
3 ungraded students at least nine, but under twelve, years of age by September
4 1 must be enrolled in an instructional program that meets for a total of at
5 least eight hundred sixty-five hours during the minimum number of school days
6 required in a school year as provided in section 15-341. In fiscal year
7 2001-2002, the program shall meet at least eight hundred seventy hours. In
8 fiscal year 2002-2003, the program shall meet at least eight hundred
9 seventy-five hours. In fiscal year 2003-2004, the program shall meet at least
10 eight hundred eighty hours. In fiscal year 2004-2005, the program shall meet
11 at least eight hundred eighty-five hours. In fiscal year 2005-2006 and each
12 fiscal year thereafter, the program shall meet at least eight hundred ninety
13 hours. Until fiscal year 2001-2002, seventh and eighth grade students or
14 ungraded students at least twelve, but under fourteen, years of age by
15 September 1 must be enrolled in an instructional program that meets for a
16 total of at least one thousand thirty-eight hours during the minimum number
17 of days required in a school year as provided in section 15-341. In fiscal
18 year 2001-2002, the program shall meet at least one thousand forty-four
19 hours. In fiscal year 2002-2003, the program shall meet at least one
20 thousand fifty hours. In fiscal year 2003-2004, the program shall meet at
21 least one thousand fifty-six hours. In fiscal year 2004-2005, the program
22 shall meet at least one thousand sixty-two hours. In fiscal year 2005-2006
23 and each fiscal year thereafter, the program shall meet at least one thousand
24 sixty-eight hours. Lunch periods and recess periods may not be included as
25 part of the instructional hours unless the student is a child with a
26 disability and the child's individualized education program requires
27 instruction during those periods and the specific reasons for such
28 instruction are fully documented.

29 (ii) For high schools, except as provided in section 15-105, a student
30 not graduated from the highest grade taught in the school district, or an
31 ungraded student at least fourteen years of age by September 1, and enrolled
32 in at least a full-time instructional program of subjects that count toward
33 graduation as defined by the state board of education in a recognized high
34 school. A full-time student shall not be counted more than once for
35 computation of average daily membership.

36 (iii) For homebound or hospitalized, a student receiving at least four
37 hours of instruction per week.

38 (c) "Full-time instructional program" means:

39 (i) Through fiscal year 2000-2001, at least four subjects, each of
40 which, if taught each school day for the minimum number of days required in a
41 school year, would meet a minimum of one hundred twenty hours a year, or the
42 equivalent, or one or more subjects taught in amounts of time totaling at
43 least twenty hours per week prorated for any week with fewer than five school
44 days.

1 (ii) For fiscal year 2001-2002, an instructional program that meets at
2 least a total of seven hundred four hours during the minimum number of days
3 required and includes at least four subjects each of which, if taught each
4 school day for the minimum number of days required in a school year, would
5 meet a minimum of one hundred twenty-two hours a year, or the equivalent, or
6 one or more subjects taught in amounts of time totaling at least twenty hours
7 per week prorated for any week with fewer than five school days.

8 (iii) For fiscal year 2002-2003, an instructional program that meets
9 at least a total of seven hundred eight hours during the minimum number of
10 days required and includes at least four subjects each of which, if taught
11 each school day for the minimum number of days required in a school year,
12 would meet a minimum of one hundred twenty-two hours a year, or the
13 equivalent, or one or more subjects taught in amounts of time totaling at
14 least twenty hours per week prorated for any week with fewer than five school
15 days.

16 (iv) For fiscal year 2003-2004, an instructional program that meets at
17 least a total of seven hundred twelve hours during the minimum number of days
18 required and includes at least four subjects each of which, if taught each
19 school day for the minimum number of days required in a school year, would
20 meet a minimum of one hundred twenty-three hours a year, or the equivalent,
21 or one or more subjects taught in amounts of time totaling at least twenty
22 hours per week prorated for any week with fewer than five school days.

23 (v) For fiscal year 2004-2005, an instructional program that meets at
24 least a total of seven hundred sixteen hours during the minimum number of
25 days required and includes at least four subjects each of which, if taught
26 each school day for the minimum number of days required in a school year,
27 would meet a minimum of one hundred twenty-three hours a year, or the
28 equivalent, or one or more subjects taught in amounts of time totaling at
29 least twenty hours per week prorated for any week with fewer than five school
30 days.

31 (vi) For fiscal year 2005-2006 and each fiscal year thereafter, an
32 instructional program that meets at least a total of seven hundred twenty
33 hours during the minimum number of days required and includes at least four
34 subjects each of which, if taught each school day for the minimum number of
35 days required in a school year, would meet a minimum of one hundred
36 twenty-three hours a year, or the equivalent, or one or more subjects taught
37 in amounts of time totaling at least twenty hours per week prorated for any
38 week with fewer than five school days.

39 3. "Budget year" means the fiscal year for which the school district
40 is budgeting and which immediately follows the current year.

41 4. "Common school district" means a political subdivision of this
42 state offering instruction to students in programs for preschool children
43 with disabilities and kindergarten programs and grades one through eight.

44 5. "Current year" means the fiscal year in which a school district is
45 operating.

1 6. "Daily attendance" means:

2 (a) For common schools, days in which a pupil:

3 (i) Of a kindergarten program or ungraded, but not group B children
4 with disabilities, and at least five, but under six, years of age by
5 September 1 attends at least three-quarters of the instructional time
6 scheduled for the day. If the total instruction time scheduled for the year
7 is at least three hundred forty-six hours but is less than six hundred
8 ninety-two hours such attendance shall be counted as one-half day of
9 attendance. If the instructional time scheduled for the year is at least six
10 hundred ninety-two hours, "daily attendance" means days in which a pupil
11 attends at least one-half of the instructional time scheduled for the day.
12 Such attendance shall be counted as one-half day of attendance.

13 (ii) Of the first, second or third grades, ungraded and at least six,
14 but under nine, years of age by September 1 or ungraded group B children with
15 disabilities and at least five, but under six, years of age by September 1
16 attends more than three-quarters of the instructional time scheduled for the
17 day.

18 (iii) Of the fourth, fifth or sixth grades or ungraded and at least
19 nine, but under twelve, years of age by September 1 attends more than
20 three-quarters of the instructional time scheduled for the day, except as
21 provided in section 15-797.

22 (iv) Of the seventh or eighth grades or ungraded and at least twelve,
23 but under fourteen, years of age by September 1 attends more than
24 three-quarters of the instructional time scheduled for the day, except as
25 provided in section 15-797.

26 (b) For common schools, the attendance of a pupil at three-quarters or
27 less of the instructional time scheduled for the day shall be counted as
28 follows, except as provided in section 15-797 and except that attendance for
29 a fractional student shall not exceed the pupil's fractional membership:

30 (i) If attendance for all pupils in the school is based on quarter
31 days, the attendance of a pupil shall be counted as one-fourth of a day's
32 attendance for each one-fourth of full-time instructional time attended.

33 (ii) If attendance for all pupils in the school is based on half days,
34 the attendance of at least three-quarters of the instructional time scheduled
35 for the day shall be counted as a full day's attendance and attendance at a
36 minimum of one-half but less than three-quarters of the instructional time
37 scheduled for the day equals one-half day of attendance.

38 (c) For common schools, the attendance of a preschool child with
39 disabilities shall be counted as one-fourth day's attendance for each
40 thirty-six minutes of attendance not including lunch periods and recess
41 periods, except as provided in paragraph 2, subdivision (a), item (i) of this
42 subsection for children with disabilities up to a maximum of three hundred
43 sixty minutes each week.

1 (d) For high schools or ungraded schools in which the pupil is at
2 least fourteen years of age by September 1, the attendance of a pupil shall
3 not be counted as a full day unless the pupil is actually and physically in
4 attendance and enrolled in and carrying four subjects, each of which, if
5 taught each school day for the minimum number of days required in a school
6 year, would meet a minimum of one hundred twenty hours a year, or the
7 equivalent, that count toward graduation in a recognized high school except
8 as provided in section 15-797 and subdivision (e) of this paragraph.
9 Attendance of a pupil carrying less than the load prescribed shall be
10 prorated.

11 (e) For high schools or ungraded schools in which the pupil is at
12 least fourteen years of age by September 1, the attendance of a pupil may be
13 counted as one-fourth of a day's attendance for each sixty minutes of
14 instructional time in a subject that counts toward graduation, except that
15 attendance for a pupil shall not exceed the pupil's full or fractional
16 membership.

17 (f) For homebound or hospitalized, a full day of attendance may be
18 counted for each day during a week in which the student receives at least
19 four hours of instruction.

20 (g) For school districts which maintain school for an approved
21 year-round school year operation, attendance shall be based on a computation,
22 as prescribed by the superintendent of public instruction, of the one hundred
23 eighty days' equivalency or two hundred days' equivalency, as applicable, of
24 instructional time as approved by the superintendent of public instruction
25 during which each pupil is enrolled.

26 7. "Daily route mileage" means the sum of:

27 (a) The total number of miles driven daily by all buses of a school
28 district while transporting eligible students from their residence to the
29 school of attendance and from the school of attendance to their residence on
30 scheduled routes approved by the superintendent of public instruction.

31 (b) The total number of miles driven daily on routes approved by the
32 superintendent of public instruction for which a private party, a political
33 subdivision or a common or a contract carrier is reimbursed for bringing an
34 eligible student from the place of his residence to a school transportation
35 pickup point or to the school of attendance and from the school
36 transportation scheduled return point or from the school of attendance to his
37 residence. Daily route mileage includes the total number of miles necessary
38 to drive to transport eligible students from and to their residence as
39 provided in this paragraph.

40 8. "District support level" means the base support level plus the
41 transportation support level.

42 9. "Eligible students" means:

43 (a) Students who are transported by or for a school district and who
44 qualify as full-time students or fractional students, except students for

1 whom transportation is paid by another school district or a county school
2 superintendent, and:

3 (i) For common school students, whose place of actual residence within
4 the school district is more than one mile from the school facility of
5 attendance or students who are admitted pursuant to section 15-816.01 and who
6 meet the economic eligibility requirements established under the national
7 school lunch and child nutrition acts (42 United States Code sections 1751
8 through 1785) for free or reduced price lunches and whose actual place of
9 residence outside the school district boundaries is more than one mile from
10 the school facility of attendance.

11 (ii) For high school students, whose place of actual residence within
12 the school district is more than one and one-half miles from the school
13 facility of attendance or students who are admitted pursuant to section
14 15-816.01 and who meet the economic eligibility requirements established
15 under the national school lunch and child nutrition acts (42 United States
16 Code sections 1751 through 1785) for free or reduced price lunches and whose
17 actual place of residence outside the school district boundaries is more than
18 one and one-half miles from the school facility of attendance.

19 (b) Kindergarten students, for purposes of computing the number of
20 eligible students under subdivision (a), item (i) of this paragraph, shall be
21 counted as full-time students, notwithstanding any other provision of law.

22 (c) Children with disabilities, as defined by section 15-761, who are
23 transported by or for the school district or who are admitted pursuant to
24 chapter 8, article 1.1 of this title and who qualify as full-time students or
25 fractional students regardless of location or residence within the school
26 district or children with disabilities whose transportation is required by
27 the pupil's individualized education program.

28 (d) Students whose residence is outside the school district and who
29 are transported within the school district on the same basis as students who
30 reside in the school district.

31 10. "Enrolled" or "enrollment" means when a pupil is currently
32 registered in the school district.

33 11. "GDP price deflator" means the average of the four implicit price
34 deflators for the gross domestic product reported by the United States
35 department of commerce for the four quarters of the calendar year.

36 12. "High school district" means a political subdivision of this state
37 offering instruction to students for grades nine through twelve or that
38 portion of the budget of a common school district which is allocated to
39 teaching high school subjects with permission of the state board of
40 education.

41 13. "Revenue control limit" means the base revenue control limit plus
42 the transportation revenue control limit.

43 14. "Student count" means average daily membership as prescribed in
44 this subsection for the fiscal year prior to the current year, except that

1 for the purpose of budget preparation student count means average daily
2 membership as prescribed in this subsection for the current year.

3 15. "Submit electronically" means submitted in a format and in a manner
4 prescribed by the department of education.

5 16. "Total bus mileage" means the total number of miles driven by all
6 buses of a school district during the school year.

7 17. "Total students transported" means all eligible students
8 transported from their place of residence to a school transportation pickup
9 point or to the school of attendance and from the school of attendance or
10 from the school transportation scheduled return point to their place of
11 residence.

12 18. "Unified school district" means a political subdivision of the
13 state offering instruction to students in programs for preschool children
14 with disabilities and kindergarten programs and grades one through twelve.

15 B. In this title, unless the context otherwise requires:

16 1. "Base" means the revenue level per student count specified by the
17 legislature.

18 2. "Base level" means:

19 ~~(a) For fiscal year 2006-2007, three thousand one hundred thirty-three~~
20 ~~dollars fifty-three cents.~~

21 ~~(b)~~ (a) For fiscal year 2007-2008, three thousand two hundred
22 twenty-six dollars eighty-eight cents.

23 (b) FOR FISCAL YEAR 2008-2009, THREE THOUSAND TWO HUNDRED NINETY-ONE
24 DOLLARS FORTY-TWO CENTS.

25 3. "Base revenue control limit" means the base revenue control limit
26 computed as provided in section 15-944.

27 4. "Base support level" means the base support level as provided in
28 section 15-943.

29 5. "Certified teacher" means a person who is certified as a teacher
30 pursuant to the rules adopted by the state board of education, who renders
31 direct and personal services to school children in the form of instruction
32 related to the school district's educational course of study and who is paid
33 from the maintenance and operation section of the budget.

34 6. "ED, MIMR, SLD, SLI and OHI" means programs for children with
35 emotional disabilities, mild mental retardation, a specific learning
36 disability, a speech/language impairment and other health impairments.

37 7. "ED-P" means programs for children with emotional disabilities who
38 are enrolled in private special education programs as prescribed in section
39 15-765, subsection D, paragraph 1 or in an intensive school district program
40 as provided in section 15-765, subsection D, paragraph 2.

41 8. "ELL" means English learners who do not speak English or whose
42 native language is not English, who are not currently able to perform
43 ordinary classroom work in English and who are enrolled in an English
44 language education program pursuant to sections 15-751, 15-752 and 15-753.

1 9. "Full-time equivalent certified teacher" or "FTE certified teacher"
2 means for a certified teacher the following:

3 (a) If employed full time as defined in section 15-501, 1.00.

4 (b) If employed less than full time, multiply 1.00 by the percentage
5 of a full school day, or its equivalent, or a full class load, or its
6 equivalent, for which the teacher is employed as determined by the governing
7 board.

8 10. "Group A" means educational programs for career exploration, a
9 specific learning disability, an emotional disability, mild mental
10 retardation, remedial education, a speech/language impairment, homebound,
11 bilingual, preschool moderate delay, preschool speech/language delay, other
12 health impairments and gifted pupils.

13 11. "Group B" means educational improvements for pupils in kindergarten
14 programs and grades one through three, educational programs for autism, a
15 hearing impairment, moderate mental retardation, multiple disabilities,
16 multiple disabilities with severe sensory impairment, orthopedic impairments,
17 preschool severe delay, severe mental retardation and emotional disabilities
18 for school age pupils enrolled in private special education programs or in
19 school district programs for children with severe disabilities or visual
20 impairment and English learners enrolled in a program to promote English
21 language proficiency pursuant to section 15-752.

22 12. "HI" means programs for pupils with hearing impairment.

23 13. "Homebound" or "hospitalized" means a pupil who is capable of
24 profiting from academic instruction but is unable to attend school due to
25 illness, disease, accident or other health conditions, who has been examined
26 by a competent medical doctor and who is certified by that doctor as being
27 unable to attend regular classes for a period of not less than three school
28 months or a pupil who is capable of profiting from academic instruction but
29 is unable to attend school regularly due to chronic or acute health problems,
30 who has been examined by a competent medical doctor and who is certified by
31 that doctor as being unable to attend regular classes for intermittent
32 periods of time totaling three school months during a school year. The
33 medical certification shall state the general medical condition, such as
34 illness, disease or chronic health condition, that is the reason that the
35 pupil is unable to attend school. Homebound or hospitalized includes a
36 student who is unable to attend school for a period of less than three months
37 due to a pregnancy if a competent medical doctor, after an examination,
38 certifies that the student is unable to attend regular classes due to risk to
39 the pregnancy or to the student's health.

40 14. "K" means kindergarten programs.

41 15. "K-3" means kindergarten programs and grades one through three.

42 16. "MD-R, A-R and SMR-R" means resource programs for pupils with
43 multiple disabilities, autism and severe mental retardation.

1 17. "MD-SC, A-SC and SMR-SC" means self-contained programs for pupils
2 with multiple disabilities, autism and severe mental retardation.

3 18. "MDSSI" means a program for pupils with multiple disabilities with
4 severe sensory impairment.

5 19. "MOMR" means programs for pupils with moderate mental retardation.

6 20. "OI-R" means a resource program for pupils with orthopedic
7 impairments.

8 21. "OI-SC" means a self-contained program for pupils with orthopedic
9 impairments.

10 22. "PSD" means preschool programs for children with disabilities as
11 provided in section 15-771.

12 23. "P-SD" means programs for children who meet the definition of
13 preschool severe delay as provided in section 15-771.

14 24. "Qualifying tax rate" means the qualifying tax rate specified in
15 section 15-971 applied to the assessed valuation used for primary property
16 taxes.

17 25. "Small isolated school district" means a school district which
18 meets all of the following:

19 (a) Has a student count of fewer than six hundred in kindergarten
20 programs and grades one through eight or grades nine through twelve.

21 (b) Contains no school which is fewer than thirty miles by the most
22 reasonable route from another school, or, if road conditions and terrain make
23 the driving slow or hazardous, fifteen miles from another school which
24 teaches one or more of the same grades and is operated by another school
25 district in this state.

26 (c) Is designated as a small isolated school district by the
27 superintendent of public instruction.

28 26. "Small school district" means a school district which meets all of
29 the following:

30 (a) Has a student count of fewer than six hundred in kindergarten
31 programs and grades one through eight or grades nine through twelve.

32 (b) Contains at least one school which is fewer than thirty miles by
33 the most reasonable route from another school which teaches one or more of
34 the same grades and is operated by another school district in this state.

35 (c) Is designated as a small school district by the superintendent of
36 public instruction.

37 27. "Transportation revenue control limit" means the transportation
38 revenue control limit computed as prescribed in section 15-946.

39 28. "Transportation support level" means the support level for pupil
40 transportation operating expenses as provided in section 15-945.

41 29. "VI" means programs for pupils with visual impairments.

42 30. "Voc. Ed." means career and technical education and vocational
43 education programs, as defined in section 15-781.

1 Sec. 8. Section 15-901.02, Arizona Revised Statutes, is amended to
2 read:

3 15-901.02. Voluntary full-day kindergarten instruction

4 A school district or charter school may offer full-day kindergarten
5 instruction to pupils who meet the enrollment requirements for kindergarten
6 programs. Parents of pupils who meet the enrollment requirements for
7 voluntary kindergarten programs in a school district or charter school that
8 offers full-day kindergarten instruction may choose either half-day
9 kindergarten instruction or full-day kindergarten instruction. If a ~~school~~
10 ~~district or~~ charter school chooses to offer voluntary full-day kindergarten
11 instruction, any necessary capital monies needed to implement voluntary
12 full-day kindergarten instruction shall be provided by the ~~school district or~~
13 charter school.

14 Sec. 9. Section 15-904, Arizona Revised Statutes, as amended by Laws
15 2008, chapter 206, section 1, is amended to read:

16 15-904. School district annual financial report; publication;
17 summary

18 A. The governing board of each school district shall publish an annual
19 financial report for the prior fiscal year by November 15. The auditor
20 general in conjunction with the department of education shall prescribe the
21 format of the financial report to be used by school districts. The financial
22 report shall contain budgeted and actual expenditures for the preceding
23 fiscal year and shall be prepared and distributed by October 15 by the school
24 district with a copy to the county school superintendent. A copy of the
25 annual financial report shall be submitted electronically by the school
26 district to the superintendent of public instruction by October 15. The
27 annual financial report shall be approved by the county school superintendent
28 in an electronic procedure as prescribed by the department of education.
29 School districts that are subject to section 15-914.01 are not required to
30 send a copy to the county school superintendent.

31 B. In addition to the information required in subsection A of this
32 section, the annual financial report shall contain detailed information on
33 the school district budgeted and actual expenditures from the bond building
34 fund, the soft capital allocation fund, the deficiencies correction fund, the
35 building renewal fund and the new school facilities fund, including but not
36 limited to information on classified salaries, employee benefits, interest
37 and fiscal charges, capital lease agreements, land and improvements,
38 buildings and improvements, furniture and equipment, technology and vehicles
39 and transportation equipment for pupils. The information shall specify
40 whether the expenditures are for school district renovation or for new
41 construction, the cost per square foot, and land acquisition costs, as
42 appropriate. ~~Beginning with fiscal year 2006-2007, school districts shall~~
43 ~~report by individual schools annual expenditures for maintenance and~~
44 ~~operations, unrestricted capital outlay, soft capital, deficiencies~~
45 ~~correction and building renewal.~~

1 C. Except as provided in subsection D of this section, the governing
2 board shall publish, by November 15, the annual financial report for the
3 school district either in a newspaper of general circulation within the
4 school district, by electronic transmission of the information to the
5 department of education for posting on the department's website or in the
6 official newspaper of the county as defined in section 11-255 or the
7 governing board may mail the annual financial report for the school district
8 to each household in the school district. If the governing board chooses to
9 transmit the report electronically to the department of education, the school
10 district shall provide a link on the school district's website to the report
11 on the department's website. If the governing board chooses to publish the
12 report in a newspaper, the size of the newspaper print shall be at least
13 eight-point type. The cost of publication or mailing shall be a charge
14 against the school district. The publisher's affidavit of publication shall
15 be filed by the governing board of the school district with the
16 superintendent of public instruction within thirty days after publication.

17 D. The governing board may publish or mail a summary of the annual
18 financial report in the same manner as provided in subsection C of this
19 section. The auditor general in conjunction with the department of education
20 shall prescribe the form of the summary of the annual financial report for
21 use by the governing boards.

22 E. The superintendent of public instruction shall compile the
23 financial reports of the school districts, including expenditure data for
24 federal and state projects, and shall report to the governor and the
25 legislature on or before January 15 of each year as provided in section
26 15-255.

27 Sec. 10. Title 15, chapter 9, article 1, Arizona Revised Statutes, is
28 amended by adding section 15-910.04, to read:

29 15-910.04. School district budgets: actual utility costs:
30 adjustment; definitions

31 A. FOR FISCAL YEAR 2009-2010, A SCHOOL DISTRICT MAY BUDGET FOR ACTUAL
32 UTILITY COSTS BY ADJUSTING ITS REVENUE CONTROL LIMIT BY AN AMOUNT COMPUTED AS
33 FOLLOWS:

34 1. DETERMINE THE AVERAGE AMOUNT THAT THE SCHOOL DISTRICT EXPENDED FOR
35 TOTAL UTILITY COSTS IN FISCAL YEARS 2006-2007 AND 2007-2008.

36 2. SUBTRACT FROM THE AMOUNT DETERMINED IN PARAGRAPH 1 OF THIS
37 SUBSECTION THE AMOUNT EXPENDED FOR UTILITIES AS REPORTED IN THE UTILITY
38 EXPENDITURES LINE IN THE MAINTENANCE AND OPERATION SECTION OF THE SCHOOL
39 DISTRICT'S BUDGET IN FISCAL YEAR 2007-2008.

40 3. MULTIPLY THE AMOUNT DETERMINED IN PARAGRAPH 2 OF THIS SUBSECTION BY
41 0.90.

42 B. FOR FISCAL YEAR 2010-2011, A SCHOOL DISTRICT MAY BUDGET FOR ACTUAL
43 UTILITY COSTS BY ADJUSTING ITS REVENUE CONTROL LIMIT BY AN AMOUNT COMPUTED AS
44 FOLLOWS:

1 1. DETERMINE THE AVERAGE AMOUNT THAT THE SCHOOL DISTRICT EXPENDED FOR
2 TOTAL UTILITY COSTS IN FISCAL YEARS 2007-2008 AND 2008-2009.

3 2. SUBTRACT FROM THE AMOUNT DETERMINED IN PARAGRAPH 1 OF THIS
4 SUBSECTION THE AMOUNT EXPENDED FOR UTILITIES AS REPORTED IN THE UTILITY
5 EXPENDITURES LINE IN THE MAINTENANCE AND OPERATION SECTION OF THE SCHOOL
6 DISTRICT'S BUDGET IN FISCAL YEAR 2008-2009.

7 3. MULTIPLY THE AMOUNT IN PARAGRAPH 2 OF THIS SUBSECTION BY 0.90.

8 C. FOR FISCAL YEARS 2011-2012 THROUGH 2020-2021, A SCHOOL DISTRICT MAY
9 BUDGET FOR ACTUAL UTILITY COSTS BY ADJUSTING ITS REVENUE CONTROL LIMIT BY AN
10 AMOUNT COMPUTED AS FOLLOWS:

11 1. DETERMINE THE AVERAGE AMOUNT EXPENDED FOR UTILITIES FOR THE TWO
12 PREVIOUS FISCAL YEARS AS REPORTED IN THE UTILITY EXPENDITURES LINE IN THE
13 MAINTENANCE AND OPERATION SECTION OF THE SCHOOL DISTRICT'S BUDGET.

14 2. SUBTRACT FROM THE AMOUNT DETERMINED IN PARAGRAPH 1 OF THIS
15 SUBSECTION THE AMOUNT DETERMINED IN SUBSECTION B, PARAGRAPH 2 OF THIS
16 SECTION, INCREASED BY THE TOTAL PERCENTAGE INCREASE IN THE REVENUE CONTROL
17 LIMIT FROM FISCAL YEAR 2008-2009 TO THE ACTUAL YEAR UTILIZED IN THE
18 CALCULATION AS PROVIDED IN THIS SECTION.

19 3. MULTIPLY THE AMOUNT IN PARAGRAPH 2 OF THIS SUBSECTION BY 0.90.

20 D. THE ADJUSTMENT TO THE REVENUE CONTROL LIMIT PRESCRIBED IN THIS
21 SECTION SHALL NOT BE INCLUDED IN THE CALCULATION OF THE MAXIMUM OVERRIDE
22 AMOUNT PURSUANT TO SECTIONS 15-481 AND 15-482.

23 E. FOR THE PURPOSES OF THIS SECTION:

24 1. "ACTUAL UTILITY COSTS" MEANS OPERATIONAL COSTS FOR WHICH A SCHOOL
25 DISTRICT IS BILLED BY A SERVICE PROVIDER FOR ELECTRICITY, GAS, WATER,
26 SANITATION AND TELECOMMUNICATIONS.

27 2. "ELECTRICITY" HAS THE SAME MEANING PRESCRIBED IN SECTION 30-801.

28 3. "GAS" HAS THE SAME MEANING PRESCRIBED IN SECTION 27-501.

29 4. "TELECOMMUNICATIONS" MEANS THE TRANSMISSION OF INFORMATION OVER
30 TELEPHONE NETWORKS, THE INTERNET AND CABLE AND SATELLITE TELEVISION SYSTEMS
31 OR OTHER EQUIVALENT TECHNOLOGY.

32 Sec. 11. Section 15-943, Arizona Revised Statutes, is amended to read:
33 15-943. Base support level

34 The base support level for each school district shall be computed as
35 follows:

36 1. The following support level weights shall be used in paragraph 2,
37 subdivision (a) for the following school districts:

38 (a) For school districts whose student count in kindergarten programs
39 and grades one through eight is classified in column 1 of this subdivision,
40 the support level weight for kindergarten programs and grades one through
41 eight is the corresponding support level weight prescribed in column 2 or 3
42 of this subdivision, whichever is appropriate:

| <u>Column 1</u> | <u>Column 2</u> | <u>Column 3</u> |
|----------------------|--|--|
| | Support Level Weight | Support Level Weight |
| | For Small Isolated | For Small |
| <u>Student Count</u> | <u>School Districts</u> | <u>School Districts</u> |
| 1-99 | 1.559 | 1.399 |
| 100-499 | $1.358 + [0.0005 \times (500 - \text{student count})]$ | $1.278 + [0.0003 \times (500 - \text{student count})]$ |
| 500-599 | $1.158 + [0.002 \times (600 - \text{student count})]$ | $1.158 + [0.0012 \times (600 - \text{student count})]$ |

(b) For school districts whose student count in grades nine through twelve is classified in column 1 of this subdivision, the support level weight for grades nine through twelve is the corresponding support level weight prescribed in column 2 or 3 of this subdivision, whichever is appropriate:

| <u>Column 1</u> | <u>Column 2</u> | <u>Column 3</u> |
|----------------------|--|--|
| | Support Level Weight | Support Level Weight |
| | For Small Isolated | For Small |
| <u>Student Count</u> | <u>School Districts</u> | <u>School Districts</u> |
| 1-99 | 1.669 | 1.559 |
| 100-499 | $1.468 + [0.0005 \times (500 - \text{student count})]$ | $1.398 + [0.0004 \times (500 - \text{student count})]$ |
| 500-599 | $1.268 + [0.002 \times (600 - \text{student count})]$ | $1.268 + [0.0013 \times (600 - \text{student count})]$ |

2. Subject to paragraph 1, determine the weighted student count as follows:

| | | | | | Support Level Weight | Student Count | | Weighted Student Count |
|--------------|-------------|---|----------------|---|----------------------|---------------|---|------------------------|
| <u>Grade</u> | <u>Base</u> | | <u>Group A</u> | | <u>Weight</u> | <u>Count</u> | | <u>Count</u> |
| PSD | 1.000 | + | 0.450 | = | 1.450 | x | = | |
| K-8 | 1.000 | + | 0.158 | = | 1.158 | x | = | |
| 9-12 | 1.163 | + | 0.105 | = | 1.268 | x | = | |
| | | | | | | Subtotal | A | |

| | | | | | Support Level Weight | Student Count | | Weighted Student Count |
|--|--|--|--|--|----------------------|---------------|---|------------------------|
| <u>Funding Category</u> | | | | | <u>Weight</u> | <u>Count</u> | | <u>Count</u> |
| HI | | | | | 4.771 | x | = | |
| K, for fiscal year 2006-2007 | | | | | 0.835 | x | = | |
| K, for fiscal year 2007-2008 and each fiscal year thereafter | | | | | 1.352 | x | = | |
| K-3 | | | | | 0.060 | x | = | |
| ELL | | | | | 0.115 | x | = | |

| | | | | | | |
|----|-----------------|-------|---|----------|---|-------|
| 1 | MD-R, A-R and | | | | | |
| 2 | SMR-R | 6.024 | x | _____ | = | _____ |
| 3 | MD-SC, A-SC and | | | | | |
| 4 | SMR-SC | 5.833 | x | _____ | = | _____ |
| 5 | MD-SSI | 7.947 | x | _____ | = | _____ |
| 6 | OI-R | 3.158 | x | _____ | = | _____ |
| 7 | OI-SC | 6.773 | x | _____ | = | _____ |
| 8 | P-SD | 3.595 | x | _____ | = | _____ |
| 9 | ED, MIMR, SLD, | | | | | |
| 10 | SLI and OHI | 0.003 | x | _____ | = | _____ |
| 11 | ED-P | 4.822 | x | _____ | = | _____ |
| 12 | MOMR | 4.421 | x | _____ | = | _____ |
| 13 | VI | 4.806 | x | _____ | = | _____ |
| 14 | | | | Subtotal | B | _____ |

- 15 (c) Total of subtotals A and B: _____
- 16 3. Multiply the total determined in paragraph 2 by the base level.
- 17 4. Multiply the teacher experience index of the district or 1.00,
- 18 whichever is greater, by the product obtained in paragraph 3.
- 19 5. ADD THE AMOUNT DETERMINED IN SECTION 15-910.04.
- 20 Sec. 12. Section 15-944, Arizona Revised Statutes, is amended to read:
- 21 15-944. Base revenue control limit
- 22 A. The base revenue control limit for each school district for fiscal
- 23 year 1980-1981 is computed as follows:
- 24 1. Add the amounts in the fiscal year 1979-1980 budget effective May
- 25 15, 1980 for general operating and special education.
- 26 2. Subtract the following budgeted revenues from the sum obtained in
- 27 paragraph 1 of this subsection:
- 28 (a) Tuition paid for attendance of nonresident pupils.
- 29 (b) State assistance as provided in section 15-976.
- 30 (c) Special education revenues as provided in section 15-825,
- 31 subsection D and section 15-1204.
- 32 (d) Proceeds from the sale or lease of school property as provided in
- 33 section 15-1102.
- 34 3. Add the increase in the base support level from fiscal year
- 35 1979-1980 to fiscal year 1980-1981 to the difference obtained in paragraph 2
- 36 of this subsection.
- 37 B. The equalization factor for each school district is computed as
- 38 follows:
- 39 1. Divide the sum obtained in subsection A, paragraph 3 of this
- 40 section by the base support level for fiscal year 1980-1981.
- 41 2. Subtract 1.0 from the quotient obtained in paragraph 1 of this
- 42 subsection to obtain the equalization factor.
- 43 C. The revenue variation factor for each fiscal year is as follows:
- 44 1. For fiscal year 1981-1982, 0.80.
- 45 2. For fiscal year 1982-1983, 0.60.

- A. The support level for to and from school for each school district for the current year shall be computed as follows:
 1. Determine the approved daily route mileage of the school district for the fiscal year prior to the current year.
 2. Multiply the figure obtained in paragraph 1 of this subsection by one hundred eighty.
 3. Determine the number of eligible students transported in the fiscal year prior to the current year.
 4. Divide the amount determined in paragraph 1 of this subsection by the amount determined in paragraph 3 of this subsection to determine the approved daily route mileage per eligible student transported.
 5. Determine the classification in column 1 of this paragraph for the quotient determined in paragraph 4 of this subsection. Multiply the product obtained in paragraph 2 of this subsection by the corresponding state support level for each route mile as provided in column 2 of this paragraph.

6. Add the amount spent during the prior fiscal year for bus tokens and bus passes for students who qualify as eligible students as defined in section 15-901.

B. The support level for academic education, career and technical education, vocational education and athletic trips for each school district for the current year is computed as follows:

1. Determine the classification in column 1 of paragraph 2 of this subsection for the quotient determined in subsection A, paragraph 4 of this section.

2. Multiply the product obtained in subsection A, paragraph 5 of this section by the corresponding state support level for academic education, career and technical education, vocational education and athletic trips as provided in column 2, 3 or 4 of this paragraph, whichever is appropriate for the type of district.

| <u>Column 1</u> | <u>Column 2</u> | <u>Column 3</u> | <u>Column 4</u> |
|----------------------------|-----------------|-----------------|-----------------|
| Approved Daily Route | | | |
| Mileage per Eligible | District Type | District Type | District Type |
| <u>Student Transported</u> | <u>02 or 03</u> | <u>04</u> | <u>05</u> |
| 0.5 or less | 0.15 | 0.10 | 0.25 |
| More than 0.5 through 1.0 | 0.15 | 0.10 | 0.25 |
| More than 1.0 | 0.18 | 0.12 | 0.30 |

For the purposes of this paragraph, "district type 02" means a unified school district or an accommodation school that offers instruction in grades nine through twelve, "district type 03" means a common school district not within a high school district, "district type 04" means a common school district within a high school district or an accommodation school that does not offer instruction in grades nine through twelve and "district type 05" means a high school district.

C. The support level for extended school year services for pupils with disabilities is computed as follows:

1. Determine the sum of the following:

(a) The total number of miles driven by all buses of a school district while transporting eligible pupils with disabilities on scheduled routes from their residence to the school of attendance and from the school of attendance to their residence on routes for extended school year services in accordance with section 15-881.

(b) The total number of miles driven on routes approved by the superintendent of public instruction for which a private party, a political subdivision or a common or a contract carrier is reimbursed for bringing an eligible pupil with a disability from the place of the pupil's residence to a school transportation pickup point or to the school facility of attendance and from the school transportation scheduled return point or from the school facility to the pupil's residence for extended school year services in accordance with section 15-881.

2. Multiply the sum determined in paragraph 1 of this subsection by the state support level for the district determined as provided in subsection A, paragraph 5 of this section.

1 D. The transportation support level for each school district for the
2 current year is the sum of the support level for to and from school as
3 determined in subsection A of this section, the support level for academic
4 education, career and technical education, vocational education and athletic
5 trips as determined in subsection B of this section and the support level for
6 extended school year services for pupils with disabilities as determined in
7 subsection C of this section.

8 E. The state support level for each approved route mile, as provided
9 in subsection A, paragraph 5 of this section, shall be adjusted by the growth
10 rate prescribed by law, subject to appropriation.

11 Sec. 14. Section 15-947, Arizona Revised Statutes, is amended to read:

12 15-947. Revenue control limit; district support level; general
13 budget limit; unrestricted total capital budget
14 limit; soft capital allocation limit

15 A. The revenue control limit for a school district is equal to the sum
16 of the base revenue control limit determined in section 15-944, **THE AMOUNT**
17 **DETERMINED IN SECTION 15-910.04** and the transportation revenue control limit
18 determined in section 15-946.

19 B. The district support level for a school district is equal to the
20 sum of the base support level determined in section 15-943 and the
21 transportation support level determined in section 15-945.

22 C. The general budget limit for each school district, for each fiscal
23 year, is the sum of the following:

24 1. The maintenance and operations portion of the revenue control limit
25 for the budget year.

26 2. The maintenance and operation portion of the following amounts:

27 (a) Amounts that are fully funded by revenues other than a levy of
28 taxes upon the taxable property within the school district, as listed below:

29 (i) Amounts budgeted as the budget balance carryforward as provided in
30 section 15-943.01.

31 (ii) Tuition revenues for attendance of nonresident pupils.

32 (iii) State assistance as provided in section 15-976.

33 (iv) Special education revenues as provided in section 15-825,
34 subsection D and section 15-1204.

35 (v) P.L. 81-874 assistance determined for children with disabilities,
36 children with specific learning disabilities and children residing on Indian
37 lands as provided in section 15-905, subsections K and O.

38 (vi) P.L. 81-874 administrative costs as provided in section 15-905,
39 subsection P.

40 (vii) State assistance for excess tuition as provided in section
41 15-825.01.

42 (viii) Amounts received from the state board of education pursuant to
43 section 15-973.01.

1 (b) Amounts approved pursuant to an override election as provided in
2 section 15-481 for the applicable fiscal year.

3 (c) Expenditures for excess utility costs as provided in section
4 15-910.

5 (d) Amounts authorized by the county school superintendent pursuant to
6 section 15-974, subsection C.

7 (e) Expenditures for complying with a court order of desegregation as
8 provided in section 15-910.

9 (f) Expenditures for the bond issues portion of the cost of tuition as
10 provided in section 15-910.

11 (g) Interest on registered warrants or tax anticipation notes as
12 provided in section 15-910.

13 (h) Amounts budgeted for a jointly owned and operated career and
14 technical education and vocational education center as provided in section
15 15-910.01.

16 ~~(i) Amount of energy reduction adjustment pursuant to section~~
17 ~~15-910.02.~~

18 3. The maintenance and operations portion of the capital outlay
19 revenue limit for the budget year.

20 4. Any other budget item that is budgeted in the maintenance and
21 operation section of the budget and that is specifically exempt from the
22 revenue control limit or the capital outlay revenue limit.

23 D. The unrestricted capital budget limit, for each school district for
24 each fiscal year, is the sum of the following:

25 1. The federal impact adjustment as determined in section 15-964 for
26 the budget year.

27 2. Any other budget item that is budgeted in the capital outlay
28 section of the budget and that is specifically exempt from the capital outlay
29 revenue limit.

30 3. The capital portion of the amounts contained in subsection
31 C, paragraph 2 of this section.

32 4. The unexpended budget balance in the unrestricted capital outlay
33 fund from the previous fiscal year.

34 5. The net interest earned in the unrestricted capital outlay fund the
35 previous fiscal year.

36 E. The soft capital allocation limit for each school district for each
37 fiscal year is the sum of the following:

38 1. The soft capital allocation for the budget year.

39 2. The unexpended budget balance in the soft capital allocation fund
40 from the previous fiscal year.

41 3. The net interest earned in the soft capital allocation fund the
42 previous fiscal year.

1 Sec. 15. Section 15-947.01, Arizona Revised Statutes, is amended to
2 read:

3 15-947.01. Revenue control limit; general budget limit; total
4 capital budget limit for joint technological
5 education districts

6 A. The revenue control limit ~~and district support level~~ for a joint
7 technological education district ~~are~~ IS equal to the base support level
8 determined in section 15-943.02 AND THE AMOUNT DETERMINED IN SECTION
9 15-910.04.

10 B. The general budget limit for each joint technological education
11 district, for each fiscal year, is the sum of the following:

12 1. The revenue control limit for the budget year.

13 2. The capital outlay revenue limit for the budget year.

14 3. Tuition revenues for attendance of nonresident pupils.

15 4. P.L. 81-874 assistance determined for children with disabilities,
16 children with specific learning disabilities and children residing on Indian
17 lands as provided in section 15-905, subsections K and O.

18 5. Expenditures for excess utility costs as provided in section
19 15-910.

20 C. The unrestricted capital budget limit for each joint technological
21 education district for the budget year is as provided in section 15-947,
22 subsection D.

23 D. The soft capital allocation limit for each joint technological
24 education district for the budget year is as provided in section 15-947,
25 subsection E.

26 Sec. 16. Section 15-977, Arizona Revised Statutes, is amended to read:

27 15-977. Classroom site fund; definitions

28 A. The classroom site fund is established consisting of monies
29 transferred to the fund pursuant to section 37-521, subsection B and section
30 42-5029, subsection E, paragraph 10. The department of education shall
31 administer the fund. School districts and charter schools may not supplant
32 existing school site funding with revenues from the fund. All monies
33 distributed from the fund are intended for use at the school site. Each
34 school district or charter school shall allocate forty per cent of the monies
35 for teacher compensation increases based on performance and employment
36 related expenses, twenty per cent of the monies for teacher base salary
37 increases and employment related expenses and forty per cent of the monies
38 for maintenance and operation purposes as prescribed in subsection H of this
39 section. Teacher compensation increases based on performance or teacher base
40 salary increases distributed pursuant to this subsection shall supplement,
41 and not supplant, teacher compensation monies from any other sources. The
42 school district or charter school shall notify each school principal of the
43 amount available to the school by April 15 OF EACH YEAR. The district or
44 charter school shall request from the school's principal each school's
45 priority for the allocation of the funds available to the school for each

1 program listed under subsection H of this section. The amount budgeted by
2 the school district or charter school pursuant to this section shall not be
3 included in the allowable budget balance carryforward calculated pursuant to
4 section 15-943.01.

5 B. A school district governing board must adopt a performance based
6 compensation system at a public hearing to allocate funding from the
7 classroom site fund pursuant to subsection A of this section.

8 C. A school district governing board shall vote on a performance based
9 compensation system that includes the following elements:

- 10 1. School district performance and school performance.
- 11 2. Measures of academic progress toward the academic standards adopted
12 by the state board of education.
- 13 3. Other measures of academic progress.
- 14 4. Dropout or graduation rates.
- 15 5. Attendance rates.
- 16 6. Ratings of school quality by parents.
- 17 7. Ratings of school quality by students.
- 18 8. The input of teachers and administrators.
- 19 9. Approval of the performance based compensation system based on an
20 affirmative vote of at least seventy per cent of the teachers eligible to
21 participate in the performance based compensation system.
- 22 10. An appeals process for teachers who have been denied performance
23 based compensation.
- 24 11. Regular evaluation for effectiveness.

25 D. A performance based compensation system shall include teacher
26 professional development programs that are aligned with the elements of the
27 performance based compensation system.

28 E. A school district governing board may modify the elements contained
29 in subsection C of this section and consider additional elements when
30 adopting a performance based compensation system. A school district
31 governing board shall adopt any modifications or additional elements and
32 specify the criteria used at a public hearing.

33 F. Until December 31, 2009, each school district shall develop an
34 assessment plan for its performance based compensation system and submit the
35 plan to the department of education by December 31 of each year. A copy of
36 the performance based compensation system and assessment plan adopted by the
37 school district governing board shall be included in the report submitted to
38 the department of education.

39 G. Monies in the fund are continuously appropriated, are exempt from
40 the provisions of section 35-190 relating to lapsing of appropriations and
41 shall be distributed as follows:

- 42 1. By March 30 of each year the staff of the joint legislative budget
43 committee shall determine a per pupil amount from the fund for the budget
44 year using the estimated statewide weighted count for the current year

1 pursuant to section 15-943, paragraph 2, subdivision (a) and based on
2 estimated available resources in the classroom site fund for the budget year.

3 2. The allocation to each charter school and school district for a
4 fiscal year shall equal the per pupil amount established in paragraph 1 of
5 this subsection for the fiscal year multiplied by the weighted student count
6 for the school district or charter school for the fiscal year pursuant to
7 section 15-943, paragraph 2, subdivision (a). For the purposes of this
8 paragraph, the weighted student count for a school district that serves as
9 the district of attendance for nonresident pupils shall be increased to
10 include nonresident pupils who attend school in the school district.

11 3. FOR EACH FISCAL YEAR IN WHICH THE LEGISLATURE APPROPRIATES
12 SUFFICIENT MONIES FOR TEACHER PERFORMANCE PAY PURSUANT TO THIS SECTION, THE
13 AMOUNT APPROPRIATED SHALL EQUAL THE PRODUCT OF THE BASE LEVEL PRESCRIBED IN
14 SECTION 15-901 MULTIPLIED BY THE PRIOR YEAR STATEWIDE WEIGHTED STUDENT COUNT
15 MULTIPLIED BY THE FOLLOWING PERCENTAGES:

16 (a) FOR STAGE ONE, ONE PER CENT.

17 (b) FOR STAGE TWO, TWO PER CENT.

18 (c) FOR STAGE THREE, THREE PER CENT.

19 (d) FOR STAGE FOUR, FOUR PER CENT.

20 (e) FOR STAGE FIVE, FIVE PER CENT.

21 (f) FOR STAGE SIX, FIVE AND ONE-HALF PER CENT BY JUNE 30, 2018.

22 H. Monies distributed from the classroom site fund shall be spent for
23 the following maintenance and operation purposes:

24 1. Class size reduction.

25 2. Teacher compensation increases.

26 3. AIMS intervention programs.

27 4. Teacher development.

28 5. Dropout prevention programs.

29 6. Teacher liability insurance premiums.

30 I. The district governing board or charter school shall allocate the
31 classroom site fund monies to include, wherever possible, the priorities
32 identified by the principals of the schools while assuring that the funds
33 maximize classroom opportunities and conform to the authorized expenditures
34 identified in subsection A of this section.

35 J. School districts and charter schools that receive monies from the
36 classroom site fund shall submit a report by November 15 of each year to the
37 superintendent of public instruction on a per school basis that provides an
38 accounting of the expenditures of monies distributed from the fund during the
39 previous fiscal year and a summary of the results of district and school
40 programs funded with monies distributed from the fund. The department of
41 education in conjunction with the auditor general shall prescribe the format
42 of the report under this subsection.

43 K. School districts and charter schools that receive monies from the
44 classroom site fund shall receive these monies monthly in an amount not to
45 exceed one-twelfth of the monies estimated pursuant to subsection G of this

1 section, except that if there are insufficient monies in the fund that month
2 to make payments, the distribution for that month shall be prorated for each
3 school district or charter school. The department of education may make an
4 additional payment in the current month for any prior month or months in
5 which school districts or charter schools received a prorated payment if
6 there are sufficient monies in the fund that month for the additional
7 payments. The state is not required to make payments to a school district or
8 charter school classroom site fund if the state classroom site fund revenue
9 collections are insufficient to meet the estimated allocations to school
10 districts and charter schools pursuant to subsection G of this section.

11 L. The state education system for committed youth shall receive monies
12 from the classroom site fund in the same manner as school districts and
13 charter schools. The Arizona state schools for the deaf and the blind shall
14 receive monies from the classroom site fund in an amount that corresponds to
15 the weighted student count for the current year pursuant to section 15-943,
16 paragraph 2, subdivision (b) for each pupil enrolled in the Arizona state
17 schools for the deaf and the blind. Except as otherwise provided in this
18 subsection, the Arizona state schools for the deaf and the blind and the
19 state education system for committed youth are subject to this section in the
20 same manner as school districts and charter schools.

21 M. Each school district and charter school, including school districts
22 that unify pursuant to section 15-448 or consolidate pursuant to section
23 15-459, shall establish a local level classroom site fund to receive
24 allocations from the state level classroom site fund. The local level
25 classroom site fund shall be a budgetary controlled account. Interest
26 charges for any registered warrants for the local level classroom site fund
27 shall be a charge against the local level classroom site fund. Interest
28 earned on monies in the local level classroom site fund shall be added to the
29 local level classroom site fund as provided in section 15-978. In no event
30 shall this state be required to make payments to a school district or charter
31 school local level classroom site fund that are in addition to monies
32 transferred to the state level classroom site fund pursuant to section
33 37-521, subsection B and section 42-5029, subsection E, paragraph 10.

34 N. Monies distributed from the classroom site fund for class size
35 reduction, AIMS intervention and dropout prevention programs shall only be
36 used for instructional purposes in the instruction function as defined in the
37 uniform system of financial records, except that monies shall not be used for
38 school sponsored athletics.

39 O. IF A SCHOOL DISTRICT IS APPROVED FOR A CAREER LADDER PROGRAM
40 PURSUANT TO SECTION 15-918.04 OR AN OPTIONAL PERFORMANCE INCENTIVE PROGRAM
41 PURSUANT TO SECTION 15-919, THE SCHOOL DISTRICT MAY CONTINUE TO PARTICIPATE
42 IN THOSE PROGRAMS OR MAY CHOOSE TO RECEIVE ADDITIONAL TEACHER PERFORMANCE PAY
43 MONIES PURSUANT TO SUBSECTION G, PARAGRAPH 3 OF THIS SECTION. IF A SCHOOL
44 DISTRICT CHOOSES TO RECEIVE MONIES PURSUANT TO SUBSECTION G, PARAGRAPH 3 OF
45 THIS SECTION, THE SCHOOL DISTRICT SHALL REDUCE THE AMOUNT OF FUNDING FOR ITS

1 CAREER LADDER PROGRAM OR OPTIONAL PERFORMANCE INCENTIVE PROGRAM, AS
2 APPLICABLE, IN AN AMOUNT THAT IS EQUAL TO THE AMOUNT APPROPRIATED BY THE
3 LEGISLATURE FOR THE APPLICABLE STAGE SPECIFIED IN SUBSECTION G, PARAGRAPH 3
4 OF THIS SECTION. IF A SCHOOL DISTRICT IS APPROVED FOR A CAREER LADDER
5 PROGRAM PURSUANT TO SECTION 15-918.04 OR AN OPTIONAL PERFORMANCE INCENTIVE
6 PROGRAM PURSUANT TO SECTION 15-919 AND THAT SCHOOL DISTRICT CHOOSES TO
7 RECEIVE MONIES FOR STAGE ONE PURSUANT TO SUBSECTION G, PARAGRAPH 3 OF THIS
8 SECTION, THE SCHOOL DISTRICT SHALL CONTINUE TO RECEIVE FUNDING THROUGH THE
9 REMAINING STAGES SPECIFIED IN SUBSECTION G, PARAGRAPH 3 OF THIS SECTION,
10 SUBJECT TO LEGISLATIVE APPROPRIATION. A SCHOOL DISTRICT THAT IS SUBJECT TO
11 THIS SUBSECTION SHALL NOTIFY THE DEPARTMENT OF EDUCATION OF THE SCHOOL
12 DISTRICT'S INTENTION TO RECEIVE MONIES PURSUANT TO SUBSECTION G, PARAGRAPH 3
13 OF THIS SECTION NO LATER THAN JULY 1 OF THE FISCAL YEAR THAT STAGE ONE MONIES
14 ARE APPROPRIATED.

15 ~~0.~~ P. For the purposes of this section:

16 1. "AIMS intervention" means summer programs, after school programs,
17 before school programs or tutoring programs that are specifically designed to
18 ensure that pupils meet the Arizona academic standards as measured by the
19 Arizona instrument to measure standards test prescribed by section 15-741.

20 2. "Class size reduction" means any maintenance and operations
21 expenditure that is designed to reduce the ratio of pupils to classroom
22 teachers, including the use of persons who serve as aides to classroom
23 teachers.

24 Sec. 17. Title 15, chapter 13, article 5, Arizona Revised Statutes, is
25 amended by adding section 15-1682.03, to read:

26 15-1682.03. University capital improvement lease-to-own and
27 bond fund: lease-to-own and bond capital
28 improvement agreements

29 A. THE UNIVERSITY CAPITAL IMPROVEMENT LEASE-TO-OWN AND BOND FUND IS
30 ESTABLISHED CONSISTING OF THE MONIES PROVIDED BY THE ARIZONA BOARD OF REGENTS
31 PURSUANT TO THIS SECTION, MONIES DEPOSITED PURSUANT TO SECTION 5-522 AND
32 MONIES APPROPRIATED BY THE LEGISLATURE. THE BOARD SHALL ADMINISTER THE FUND.
33 ON NOTICE FROM THE BOARD, THE STATE TREASURER SHALL INVEST AND DIVEST MONIES
34 IN THE FUND AS PROVIDED BY SECTION 35-313, AND MONIES EARNED FROM INVESTMENT
35 SHALL BE CREDITED TO THE FUND. MONIES IN THE FUND ARE EXEMPT FROM THE
36 PROVISIONS OF SECTION 35-190 RELATING TO LAPSING OF APPROPRIATIONS.

37 B. THROUGH REVENUES OF THE STATE UNIVERSITY SYSTEM, THE BOARD SHALL
38 ANNUALLY PROVIDE MONIES TO THE FUND OF AT LEAST TWENTY PER CENT OF THE
39 AGGREGATE ANNUAL PAYMENTS OF LEASE-TO-OWN AND BOND AGREEMENTS ENTERED INTO BY
40 THE BOARD PURSUANT TO THIS SECTION.

41 C. THE BOARD SHALL DISTRIBUTE MONIES IN THE FUND TO MAKE PAYMENTS
42 PURSUANT TO LEASE-TO-OWN AND BOND AGREEMENTS ENTERED INTO BY THE BOARD
43 PURSUANT TO THIS SECTION. THE BOARD MAY ENTER INTO LEASE-TO-OWN AND BOND
44 AGREEMENTS FOR THE PURPOSES OF BUILDING RENEWAL PROJECTS AND NEW FACILITIES.
45 NEW LEASE-TO-OWN AND BOND AGREEMENTS ENTERED INTO PURSUANT TO THIS SECTION

1 SHALL NOT EXCEED TWO HUNDRED EIGHTY-FIVE MILLION DOLLARS IN FISCAL YEAR
2 2008-2009 AND FIVE HUNDRED MILLION DOLLARS IN FISCAL YEAR 2009-2010. THE
3 BOARD MAY ENTER INTO LEASE-TO-OWN AND BOND TRANSACTIONS UP TO A MAXIMUM OF
4 ONE BILLION DOLLARS.

5 Sec. 18. Section 15-1851, Arizona Revised Statutes, is amended to
6 read:

7 15-1851. Commission for postsecondary education; purpose;
8 report; members; terms; powers and duties;
9 compensation; quorum; personal liability; definition

10 ~~A. The commission for postsecondary education is established as the~~
11 ~~postsecondary review entity for this state for the conduct, supervision and~~
12 ~~coordination of the review of postsecondary education institutions in order~~
13 ~~to determine the eligibility of those institutions for student financial aid~~
14 ~~monies pursuant to the provisions of part H, subpart one of the higher~~
15 ~~education amendments of 1992 (P.L. 102-325; 106 Stat. 638; 20 United States~~
16 ~~Code section 1099a). The commission shall accomplish the purpose of this~~
17 ~~subsection through the accumulation of information, the performance of~~
18 ~~studies and the determination of compliance by the postsecondary education~~
19 ~~institutions with the provisions of part H, subpart one of the higher~~
20 ~~education amendments of 1992. The review authority of the commission shall~~
21 ~~be limited to circumstances where the United States department of education~~
22 ~~has referred an institution to the commission for review or where the United~~
23 ~~States department of education has approved the review of an institution in~~
24 ~~accordance with criteria established by the United States department of~~
25 ~~education. The commission shall keep records of its activities, and the~~
26 ~~commission shall provide information when requested to the United States~~
27 ~~secretary of education for financial and compliance audits and for~~
28 ~~institution evaluation. The scope of authority of the commission acting as a~~
29 ~~postsecondary review entity to review any educational institution is limited~~
30 ~~specifically to compliance by the institution with title IV, part H, subpart~~
31 ~~one of the higher education amendments of 1992. Any review of any~~
32 ~~institution conducted by the commission shall be performed in the context of~~
33 ~~the institution's individual mission and purposes. The commission shall not~~
34 ~~exercise planning, policy, coordinating, supervisory, budgeting or~~
35 ~~administrative powers over any postsecondary institution in this state.~~

36 ~~B.~~ A. The commission FOR POSTSECONDARY EDUCATION IS ESTABLISHED AND
37 shall ~~also~~ administer the applicable programs identified under section 1203
38 of the higher education act amendments of 1998 (P.L. 105-244), including the
39 leveraging educational assistance partnership program, the federal family
40 education loan program and the Paul Douglas teacher scholarships program, and
41 shall supervise the state guarantee agency under the higher education act
42 amendments of 1998.

43 ~~C.~~ B. In addition to the responsibilities prescribed in ~~subsections A~~
44 ~~and B~~ SUBSECTION A of this section, the commission shall:

1 1. Provide a forum to public and private postsecondary education
2 institutions for discussion of issues of mutual interest, including the
3 following:

4 (a) The postsecondary needs of unserved and underserved individuals in
5 this state.

6 (b) The resources of public and private institutions, organizations
7 and agencies that are located in this state and that are capable of providing
8 postsecondary education opportunities.

9 (c) Enrollment demand and public policy options to meet statewide
10 needs for postsecondary education services.

11 (d) Cooperative comprehensive instructional and capital planning.

12 2. Provide reports pursuant to this subsection on discussions of
13 issues of mutual interest.

14 3. Coordinate and promote collaborative studies on issues of mutual
15 interest to public and private postsecondary education institutions.

16 4. Compile and disseminate information to the public regarding
17 postsecondary education opportunities in this state.

18 5. Prepare an annual report that summarizes the results of the
19 commission's activities prescribed in this section and section 15-1852. The
20 annual report shall be submitted to the speaker of the house of
21 representatives, the president of the senate, the governor and the Arizona
22 state library, archives and public records by December 28.

23 ~~D.~~ C. The commission consists of the executive director of the
24 Arizona board of regents, the executive director of the state board for
25 private postsecondary education and the following additional members who
26 shall be appointed by the governor pursuant to section 38-211:

27 1. Two members who hold senior executive or managerial positions in a
28 university under the jurisdiction of the Arizona board of regents.

29 2. Two members who hold senior executive or managerial positions in a
30 community college district, one representing a community college district in
31 a county with a population of five hundred thousand persons or more and one
32 representing a community college district in a county with a population of
33 less than five hundred thousand persons.

34 3. Two members who hold senior executive or managerial positions in
35 private postsecondary institutions of higher education that are licensed
36 under title 32, chapter 30, that are located in this state, that offer
37 bachelor or higher degrees and that are accredited by a regional
38 accreditation agency approved by the United States department of education.

39 4. Two members who hold senior executive or managerial positions in
40 private postsecondary institutions of higher education that are licensed
41 under title 32, chapter 30, that are located in this state, that offer
42 vocational education programs and that are accredited by a national
43 accreditation agency approved by the United States department of education.

44 5. One member who holds a senior executive or managerial position in a
45 private cosmetology school that is licensed under title 32, chapter 5, that

1 is located in this state, that offers cosmetology programs approved by the
2 board of cosmetology and that is accredited by a national accreditation
3 agency approved by the United States department of education.

4 6. One member who holds a senior executive or managerial position in
5 an institution that is licensed under title 32, chapter 23 or under the
6 provisions of 14 Code of Federal Regulations part 147, that offers vocational
7 education programs at the postsecondary level, that is located in this state
8 and that is not an institution that is qualified under any other category.

9 7. One member who has held a senior executive or managerial level
10 position in commerce or industry in this state for at least three years
11 before the member's appointment and who is not qualified to serve under any
12 other category.

13 8. Two members who hold senior executive or managerial positions in
14 the high school education system in this state.

15 9. One member who is an owner, operator or administrator of a charter
16 school in this state.

17 ~~E.~~ D. Members of the commission appointed pursuant to subsection ~~D-~~
18 C, paragraphs 1 through 9 of this section shall serve four year terms.
19 Appointed members of the commission shall be residents of this state.
20 Appointed members of the commission at all times during their terms shall
21 continue to be eligible for appointment under the category that they were
22 appointed to represent. Terms of appointed members of the commission begin
23 on the third Monday in January. No appointed member of the commission may
24 serve more than two consecutive terms.

25 ~~F.~~ E. The executive director of the Arizona board of regents and the
26 executive director of the state board for private postsecondary education
27 serve as members of the commission during their respective terms of office
28 and are not eligible to vote with respect to the commission's review of any
29 postsecondary institution.

30 ~~G.~~ F. Members appointed pursuant to subsection ~~D-~~ C, paragraphs 1
31 through 9 of this section are eligible to receive compensation pursuant to
32 section 38-611 for each day spent in the performance of commission duties and
33 may be reimbursed for expenses properly incurred in connection with the
34 attendance at meetings or hearings of the commission.

35 ~~H.~~ G. The governor shall appoint a chairman from among the members of
36 the commission who shall serve a one year term that begins on the third
37 Monday in January.

38 ~~I.~~ H. ~~Except as provided in subsection J of this section,~~ A majority
39 of the members of the commission constitutes a quorum for the transaction of
40 commission business. The vote of a majority of the quorum constitutes
41 authority for the commission to act.

42 ~~J. For all purposes relating to title IV, part H, subpart one of the~~
43 ~~higher education amendments of 1992 the commission membership shall consist~~
44 ~~only of the members appointed pursuant to subsection D paragraphs 1 through 7~~
45 ~~of this section, and all commission actions taken pursuant to title IV, part~~

~~H, subpart one of the higher education act of 1992 require the affirmative vote of at least six members.~~

~~K.~~ I. Members of the commission are immune from personal liability with respect to all actions that are taken in good faith and within the scope of the commission's authority.

~~L.~~ J. For the purposes of this section, "community college district" means a community college district that is established pursuant to sections 15-1402 and 15-1403 and that is a political subdivision of this state.

Sec. 19. Section 15-1852, Arizona Revised Statutes, is amended to read:

15-1852. Additional powers and duties

A. In addition to the powers and duties prescribed in section 15-1851, the commission for postsecondary education shall:

1. Meet at least four times each year.
2. Adopt rules to carry out the purposes of this article.
3. Administer and enforce ~~the provisions of~~ this article and rules adopted pursuant to this article.
4. Keep a record of its proceedings.
5. Contract, on behalf of this state, with the United States secretary of education for the purpose of complying with the provisions of **TITLE IV, part H, SUBPART ONE** of the higher education amendments of 1992.

~~6. Enter into agreements and contracts with state regulatory agencies or entities, accrediting bodies and other peer review systems for the purpose of complying with the provisions of title IV program eligibility reviews as set forth in part H of the higher education amendments of 1992. Agreements and contracts executed pursuant to this subsection shall be for the purpose of conducting fact finding activities, eligibility reviews, compliance assessments and recommendations, program reviews and consumer complaint studies. The review authority of the commission shall be limited to those circumstances specified in section 15-1851, subsection A. The commission shall provide sufficient monies to the agency or contractor to perform review functions.~~

~~7. Establish procedures for the performance of the title IV eligibility reviews as prescribed in part H, subpart one of the higher education amendments of 1992, the evaluation and assessment of the reviews performed, the evaluation and assessment of the postsecondary institution's initial and continuing title IV eligibility, the notification of the results of the reviews and the enforcement of an appeals process that provides for due process for postsecondary education institutions. The review authority of the commission shall be limited to those circumstances specified in section 15-1851, subsection A.~~

~~8. Establish procedures by which agencies of this state that are responsible for oversight of postsecondary institutions receive notification of eligibility reviews, eligibility determinations and actions and other actions taken or planned against postsecondary institutions.~~

1 ~~9-~~ 6. Comply with ~~the provisions of~~ title 38, chapter 3, article 3.1
2 and title 39.

3 B. The commission may:

4 1. Adopt an official seal.

5 2. Contract.

6 3. Sue and be sued.

7 4. Receive, hold, make and take leases of and sell personal property
8 for the benefit of the commission.

9 5. Employ permanent or temporary personnel as the commission deems
10 necessary to carry out this article. The commission may designate the duties
11 of these personnel. The commission employees are subject to title 41,
12 chapter 4, articles 5 and 6.

13 6. Conduct investigations, hold hearings and determine methods of
14 enforcement of ~~the provisions of~~ this article.

15 7. Issue subpoenas to compel the attendance of witnesses and the
16 production of documents, administer oaths, take testimony, hear proof and
17 receive exhibits into evidence.

18 8. Establish policy centers under its control to conduct studies.

19 9. Coordinate and promote studies of interest to postsecondary
20 institutions in this state.

21 C. The commission is exempt from title 41, chapter 6 but shall adopt
22 rules in a manner substantially similar to title 41, chapter 6.

23 Sec. 20. Section 15-1853, Arizona Revised Statutes, is amended to
24 read:

25 15-1853. Funding; federal monies; postsecondary education fund;
26 report

27 A. The postsecondary education fund is established consisting of:

28 1. Monies appropriated by the legislature.

29 2. Monies received from state agencies and political subdivisions of
30 this state.

31 3. Monies received from the United States government, including monies
32 received from the United States department of education pursuant to
33 subsection B of this section.

34 4. Gifts, grants and donations received from any private source to
35 carry out the duties and responsibilities of the commission.

36 B. The commission may receive monies distributed by the United States
37 department of education for the reimbursement of the costs of performing
38 review requirements. The costs may include expenses for ~~the instruction of~~
39 ~~personnel needed to serve the purpose of section 15-1851, subsection A,~~ the
40 supplementation of existing review functions, work performed by
41 subcontractors or consultants in connection with the review functions of the
42 commission and any other administrative expenses necessary for compliance
43 with TITLE IV, part H, subpart one of the higher education amendments of
44 1992. No more than thirteen per cent of amounts received by the commission

1 from the United States department of education may be utilized for
2 administrative purposes by the commission.

3 C. The commission shall administer the fund in compliance with the
4 requirements of this article. The commission shall separately account for
5 monies received from each source listed in subsection A of this section and
6 may establish accounts and subaccounts of the fund as necessary to carry out
7 the requirements of this subsection.

8 D. Monies obtained pursuant to subsection A, paragraphs 1 through 3 of
9 this section are subject to legislative appropriation. The commission shall
10 not use these monies for purposes other than those designated by special line
11 items for which the monies are received.

12 E. Monies obtained pursuant to subsection A, paragraph 4 of this
13 section are continuously appropriated. These monies shall be used in
14 accordance with the requests of the donor. If no request is specified, the
15 monies may be used for additional responsibilities of the ~~board~~ COMMISSION
16 prescribed in section 15-1851, subsection ~~C~~ B and section 15-1852,
17 subsection B, paragraphs 8 and 9.

18 F. The commission shall report quarterly to the joint legislative
19 budget committee on fund deposits and expenditures.

20 Sec. 21. Section 15-1854, Arizona Revised Statutes, is amended to
21 read:

22 15-1854. Private postsecondary education student financial
23 assistance program; fund; definition

24 A. A private postsecondary education student financial assistance
25 program is established. The commission shall develop, implement and
26 administer the program. A student who obtains an associate degree from a
27 community college district or from a community college under the jurisdiction
28 of an Indian tribe in this state that meets the same accreditation standards
29 as a community college district and who registers for enrollment as a
30 full-time student in a baccalaureate program at a private, nationally or
31 regionally accredited four year degree granting college or university
32 chartered in this state is eligible to submit an application to the
33 commission for participation in the program. The commission shall establish
34 eligibility criteria for the program including financial need and academic
35 merit, shall develop application forms, procedures and deadlines and shall
36 select qualifying students each year for participation in the program.
37 Participating students shall receive an award in an amount of up to two
38 thousand dollars annually ~~for~~ not to exceed two years ~~and~~ OR four thousand
39 dollars to be used to pay all or a portion of the tuition and fees charged at
40 the private, accredited four year college or university.

41 B. A private postsecondary education student financial assistance fund
42 is established consisting of legislative appropriations. The commission
43 shall administer the fund. Monies in the fund are exempt from the provisions
44 of section 35-190 relating to lapsing of appropriations. The commission
45 shall make awards for payment of tuition at eligible colleges or universities

1 to students who are selected to participate in the private postsecondary
2 education student financial assistance program pursuant to subsection A of
3 this section.

4 C. The commission shall develop a program evaluation procedure in
5 order to determine the effectiveness of the private postsecondary education
6 student financial assistance program in shifting students who would have
7 otherwise attended a public four year college or university to private four
8 year degree granting colleges or universities.

9 D. A student who fails to receive a baccalaureate degree within a
10 three year period of receipt of the program award shall reimburse the private
11 postsecondary education student financial assistance fund for all awards
12 received pursuant to subsection A of this section. ON RECEIPT OF SUPPORTING
13 DOCUMENTATION FROM THE STUDENT, FOR GOOD CAUSE SHOWN THE COMMISSION MAY
14 PROVIDE FOR EXTENSIONS OF THE THREE YEAR PERIOD TO OBTAIN A BACCALAUREATE
15 DEGREE.

16 E. For the purposes of this section, "community college district"
17 means a community college district that is established pursuant to sections
18 15-1402 and 15-1403 and that is a political subdivision of this state.

19 Sec. 22. Section 15-1855, Arizona Revised Statutes, is amended to
20 read:

21 15-1855. Postsecondary education grant program; fund; program
22 termination; definition

23 A. The commission on postsecondary education shall develop, implement
24 and administer a postsecondary education grant program. The commission shall
25 develop application forms, procedures and deadlines and shall select eligible
26 students each year for participation in the postsecondary education grant
27 program. The commission may establish partnerships with qualifying schools
28 for the administration of the postsecondary education grant program.
29 Participating full-time students shall receive a grant in an amount of two
30 thousand dollars annually for a maximum of four calendar years to be used to
31 pay all or a portion of the following:

- 32 1. The tuition charged at a qualifying school.
- 33 2. The cost of books required for classes at a qualifying school.
- 34 3. The fees charged at a qualifying school.

35 B. The amount of a grant awarded to a participating part-time student
36 enrolled ~~in at least six credit hours~~ AT LEAST HALF-TIME FOR THE ACADEMIC
37 YEAR AS DEFINED IN 20 UNITED STATES CODE SECTION 1088 shall be prorated in
38 accordance with the part-time status of the student.

39 C. Employees of private postsecondary institutions and family members
40 of employees of private postsecondary institutions are not eligible to
41 receive a postsecondary education grant pursuant to this section if the
42 employee or family member is eligible for tuition reimbursement or a tuition
43 waiver as a benefit of employment.

1 D. A student who has a baccalaureate degree from ~~the qualifying school~~
2 ANY POSTSECONDARY EDUCATIONAL INSTITUTION is not eligible to receive
3 postsecondary education grant monies pursuant to this section.

4 E. Students who provide satisfactory proof to the commission that the
5 student has met each of the following criteria are eligible to submit an
6 application for consideration by the commission for a grant under the
7 postsecondary education grant program:

8 ~~1. The student meets at least one of the following criteria:~~
9 ~~(a) Has graduated from a public or private high school in this state.~~
10 ~~(b) Has completed the equivalent of grade twelve in a home school~~
11 ~~program.~~
12 ~~(c) Has obtained a general equivalency diploma in this state.~~
13 ~~(d) Is currently a resident of this state and has been a resident of~~
14 ~~this state for at least the past twelve months.~~
15 ~~(e) Is a member of the military service of the United States stationed~~
16 ~~in this state or the spouse or dependent of a member of the military service~~
17 ~~of the United States stationed in this state.~~

18 1. THE STUDENT EITHER:
19 (a) IS CURRENTLY A RESIDENT OF THIS STATE AND HAS BEEN A RESIDENT OF
20 THIS STATE FOR AT LEAST THE PAST TWELVE MONTHS.
21 (b) IS A MEMBER OF THE MILITARY SERVICE OF THE UNITED STATES STATIONED
22 IN THIS STATE OR THE SPOUSE OR DEPENDENT OF A MEMBER OF THE MILITARY SERVICE
23 OF THE UNITED STATES STATIONED IN THIS STATE.

24 2. The student has met the qualifications adopted by the commission.
25 The commission shall adopt minimum qualifications that are comparable to the
26 admissions standards established by the Arizona board of regents for Arizona
27 public universities.

28 3. The student registers for enrollment as a student in a
29 baccalaureate program at a nationally or regionally accredited private
30 postsecondary educational institution in this state that awards four year
31 baccalaureate degrees.

32 4. The student has provided high school transcripts as proof of
33 graduation if the student has graduated from a public or private high school.
34 If high school records no longer exist for a student or after every
35 reasonable effort has been made to obtain official records, the student may
36 submit a letter certified by the high school from which the student graduated
37 or the original high school diploma.

38 5. The student has completed and submitted a free application for
39 federal student aid.

40 6. The student is a citizen or legal resident of the United States or
41 is otherwise lawfully present in the United States.

42 7. IF THE STUDENT IS ELIGIBLE TO APPLY FOR MONIES FROM THE PRIVATE
43 POSTSECONDARY EDUCATION STUDENT FINANCIAL ASSISTANCE FUND ESTABLISHED BY
44 SECTION 15-1854, THE STUDENT SHALL APPLY FOR AND RECEIVE MONIES FROM THE
45 PRIVATE POSTSECONDARY EDUCATION STUDENT FINANCIAL ASSISTANCE FUND BEFORE THE

1 STUDENT IS ELIGIBLE TO APPLY FOR A GRANT FROM THE POSTSECONDARY EDUCATION
2 GRANT FUND ESTABLISHED BY THIS SECTION.

3 F. The postsecondary education grant fund is established consisting of
4 legislative appropriations. The commission shall administer the fund.
5 Monies in the fund are continuously appropriated and are exempt from the
6 provisions of section 35-190 relating to lapsing of appropriations. The
7 commission shall make awards for payment of tuition at qualifying schools to
8 students who are selected to participate in the postsecondary education grant
9 program pursuant to subsection A of this section.

10 G. If the amount of monies available for postsecondary education
11 grants in any fiscal year is insufficient to provide grants to all eligible
12 applicants, the commission shall award grants to eligible students in the
13 order in which the applications were received by the commission, except that
14 priority shall be given to qualifying students who received a grant in the
15 previous fiscal year and who are still in good academic standing at the same
16 qualifying school. The commission shall maintain a waiting list for all
17 other applicants.

18 H. A student who fails to receive a baccalaureate degree within a five
19 year period of receipt of the program award shall reimburse the postsecondary
20 education grant fund for all awards received pursuant to subsection A of this
21 section. ON RECEIPT OF SUPPORTING DOCUMENTATION FROM THE STUDENT, FOR GOOD
22 CAUSE SHOWN THE COMMISSION MAY PROVIDE FOR EXTENSIONS OF THE FIVE YEAR PERIOD
23 TO OBTAIN A BACCALAUREATE DEGREE.

24 I. The commission shall submit an annual report to the governor, the
25 president of the senate, the speaker of the house of representatives and the
26 joint legislative budget committee that includes a detailed description of
27 the amount of monies distributed under the postsecondary education grant
28 program during the previous fiscal year and that includes the total number of
29 qualified applicants for grants, the total number of grants awarded, the
30 qualifying schools attended by grant recipients and the total number of
31 qualified applicants who were placed on the waiting list. The commission
32 shall provide a copy of this report to the secretary of state and the
33 director of the Arizona state library, archives and public records.

34 J. If the commission is notified by a qualifying school that a student
35 who has received a postsecondary education grant is no longer in good
36 academic standing at the qualifying school, the commission shall immediately
37 discontinue the grant and the student shall reimburse the postsecondary
38 education grant fund for any unused portion or any unlawfully used portion of
39 a grant received pursuant to subsection A of this section.

40 K. The commission shall develop a marketing strategy that is designed
41 to provide information about the postsecondary education grant program to all
42 high school students in this state.

43 L. The program established by this section ends on July 1, 2016
44 pursuant to section 41-3102.

1 M. For the purposes of this section, "qualifying school" means a
2 nationally or regionally accredited private postsecondary educational
3 institution in this state that offers four year baccalaureate degrees.

4 Sec. 23. Section 15-1871, Arizona Revised Statutes, is amended to
5 read:

6 15-1871. Definitions

7 In this article, unless the context otherwise requires:

8 1. "Account" means an individual trust account in the fund established
9 as prescribed in this article.

10 2. "Account owner" means the person who enters into a tuition savings
11 agreement pursuant to this article, who is an account owner within the
12 meaning of section 529 of the internal revenue code and who is designated at
13 the time an account is opened as having the right to withdraw monies from the
14 account before the account is disbursed to or for the benefit of the
15 designated beneficiary.

16 3. "Commission" means the commission for postsecondary education
17 established by section 15-1851.

18 4. "Committee" means the family college savings program oversight
19 committee.

20 5. "Designated beneficiary" means a person who qualifies as a
21 designated beneficiary under section 529 of the internal revenue code and,
22 except as provided in section 15-1875, subsections ~~R~~ P and ~~S~~ Q, with
23 respect to an account, who is designated at the time the account is opened as
24 the person whose higher education expenses are expected to be paid from the
25 account or, if this designated beneficiary is replaced in accordance with
26 section 15-1875, subsections ~~E, F and G~~ D, E AND F, the replacement
27 beneficiary.

28 6. "Eligible educational institution" means an institution of higher
29 education that qualifies under section 529 of the internal revenue code as an
30 eligible educational institution.

31 7. "Financial institution" means any bank, commercial bank, national
32 bank, savings bank, savings and loan association, credit union, insurance
33 company, brokerage firm or other similar entity that is authorized to do
34 business in this state.

35 8. "Fund" means the family college savings program trust fund that
36 constitutes a public instrumentality of this state AND THAT IS established by
37 section 15-1873.

38 9. "Member of the family" means any of the following:

39 (a) A son or daughter of a person or a descendant of the son or
40 daughter of the person.

41 (b) A stepson or stepdaughter of a person.

42 (c) A brother, sister, stepbrother or stepsister of a person. For the
43 purposes of this subdivision, "brother" and "sister" includes a brother or
44 sister by the half-blood.

1 (d) The father or mother of a person or the ancestor of the father or
2 mother of a person.

3 (e) A stepfather or stepmother of a person.

4 (f) A son or daughter of a person's brother or sister. For the
5 purposes of this subdivision, "brother" and "sister" includes a brother or
6 sister by the half-blood.

7 (g) A brother or sister of the person's father or mother. For the
8 purposes of this subdivision, "brother" and "sister" includes a brother or
9 sister by the half-blood.

10 (h) A son-in-law, daughter-in-law, father-in-law, mother-in-law,
11 brother-in-law or sister-in-law of a person.

12 (i) The spouse of a person or the spouse of any individual described
13 in this paragraph.

14 (j) A first cousin of a person.

15 (k) Any individual who meets the criteria for family membership
16 described in this paragraph as a result of legal adoption.

17 10. "Nonqualified withdrawal" means a withdrawal from an account other
18 than one of the following:

19 (a) A qualified withdrawal.

20 (b) A withdrawal made as the result of the death or disability of the
21 designated beneficiary of an account.

22 (c) A withdrawal that is made on the account of a scholarship, or the
23 allowance or payment described in section 135(d)(1)(B) or (C) of the internal
24 revenue code, and that is received by the designated beneficiary, but only to
25 the extent of the amount of this scholarship, allowance or payment.

26 (d) A rollover or change of designated beneficiary.

27 11. "Person" means an individual, an individual's legal representative
28 or any other legal entity authorized to establish a savings account under
29 section 529 of the internal revenue code and the corresponding regulations.

30 12. "Program" means the family college savings program **THAT IS**
31 established under this article **AND** that constitutes a qualified tuition
32 program as defined in section 529 of the internal revenue code.

33 13. "Qualified higher education expenses" means tuition, fees, books,
34 supplies, room and board and equipment required for enrollment or attendance
35 of a designated beneficiary at an eligible educational institution and
36 expenses for special needs services in the case of a special needs
37 beneficiary that are incurred in connection with enrollment or attendance, if
38 these expenses meet the definition of qualified higher education expenses in
39 section 529 of the internal revenue code.

40 14. "Qualified withdrawal" means a withdrawal from an account to pay
41 the qualified higher education expenses of the designated beneficiary of the
42 account, but only if the withdrawal is made in accordance with this article.

43 15. "Section 529 of the internal revenue code" means section 529 of the
44 internal revenue code of 1986, as amended, and the final regulations issued
45 pursuant to that section.

1 16. "Trust interest" means an account owner's interest in the fund
2 created by a tuition savings agreement for the benefit of a designated
3 beneficiary.

4 17. "Tuition savings agreement" means an agreement between the
5 commission, as trustee of the fund, and an account owner that creates an
6 interest in the fund and that provides for participation in the program.

7 Sec. 24. Section 15-1874, Arizona Revised Statutes, is amended to
8 read:

9 15-1874. Use of contractor as account depository and manager

10 A. The commission shall implement the operation of the program through
11 the use of one or more financial institutions to act as the depositories of
12 the fund and managers of the program. Under the program, persons may submit
13 applications for enrollment in the program and establish accounts in the fund
14 at the financial institution. Monies paid by account owners to the fund for
15 deposit in accounts maintained by the fund at a financial institution shall
16 be paid to the financial institution as an agent of the fund and the tuition
17 savings agreements shall provide that all monies paid by account owners to
18 fund accounts held at financial institutions are being paid to the fund.

19 B. The committee shall solicit proposals from financial institutions
20 to act as the depositories of fund monies and managers of the program.
21 Financial institutions that submit proposals must describe the financial
22 instruments that will be held in accounts. The commission shall select
23 proposals from financial institutions to act as depositories and managers,
24 and ~~that~~ the solicitation and selection process is exempt from the
25 procurement code requirements of title 41, chapter 23.

26 C. On the recommendation of the committee, the commission shall select
27 the financial institution or institutions to implement ~~the operation of~~ the
28 program from among bidding financial institutions that demonstrate the most
29 advantageous combination, both to potential program participants and this
30 state, of the following factors:

31 1. Financial stability and integrity.

32 2. The safety of the investment instruments being offered, taking into
33 account any insurance provided with respect to these instruments.

34 3. The ability of the investment instruments to track estimated costs
35 of higher education as calculated by the commission and provided by the
36 financial institution to the account holder.

37 4. The ability of the financial institutions, directly or through a
38 subcontract, to satisfy record keeping and reporting requirements.

39 5. The financial institution's plan for promoting the program and the
40 investment it is willing to make to promote the program.

41 6. The fees, if any, proposed to be charged to persons for maintaining
42 accounts.

43 7. The minimum initial deposit and minimum contributions that the
44 financial institution will require for the investment of fund monies and the

1 willingness of the financial institution to accept contributions through
2 payroll deduction plans and other deposit plans.

3 8. Any other benefits to this state or its residents included in the
4 proposal, including an account opening fee payable to the commission by the
5 account owner and an additional fee from the financial institution for
6 statewide program marketing by the commission.

7 D. The commission shall enter into a contract with a financial
8 institution, or except as provided in subsection E of this section, contracts
9 with financial institutions, to serve as program managers and depositories.
10 Program management contracts shall provide the terms and conditions by which
11 financial institutions shall sell interests in the fund to account owners,
12 invest monies in the fund and manage the program.

13 E. The commission may select more than one financial institution and
14 investment for the program if both of the following conditions exist:

15 1. The United States internal revenue service has provided guidance
16 that giving a contributor a choice of two investment instruments under a
17 state plan will not cause the plan to fail to qualify for favorable tax
18 treatment under section 529 of the internal revenue code.

19 2. The commission concludes that the choice of instrument vehicles is
20 in the best interest of college savers and will not interfere with the
21 promotion of the program.

22 F. A program manager shall:

23 1. Take all action required to keep the program in compliance with the
24 requirements of this article and all action not contrary to this article or
25 its contract to manage the program so that it is treated as a qualified
26 tuition plan under section 529 of the internal revenue code.

27 2. Keep adequate records of each of the fund's accounts, keep each
28 account segregated from each other account and provide the commission with
29 the information necessary to prepare statements required by section 15-1875,
30 subsections ~~0, P and Q~~ M, N AND O or file these statements on behalf of the
31 commission.

32 3. Compile and total information contained in statements required to
33 be prepared under section 15-1875, subsections ~~0, P and Q~~ M, N AND O and
34 provide these compilations to the commission.

35 4. If there is more than one program manager, provide the commission
36 with this information to assist the commission to determine compliance with
37 section 15-1875, subsection ~~N~~ L.

38 5. Provide representatives of the commission, including other
39 contractors or other state agencies, access to the books and records of the
40 program manager to the extent needed to determine compliance with the
41 contract.

42 6. Hold all accounts in the name of and for the benefit of the fund
43 and this state.

1 G. Any contract executed between the commission and a financial
2 institution pursuant to this section shall be for a term of at least three
3 years and not more than seven years.

4 H. The commission may terminate a contract with a financial
5 institution at any time for good cause on the recommendation of the
6 committee. If a contract is terminated pursuant to this subsection, the
7 commission shall take custody of accounts held at that financial institution
8 and shall seek to promptly transfer the accounts to another financial
9 institution that is selected as a program manager and into investment
10 instruments as similar to the original investments as possible.

11 I. If the commission determines not to renew the appointment of a
12 financial institution as a program manager, the commission may take action
13 consistent with the interests of the program and the accounts and in
14 accordance with its duties as the trustee of the fund, including termination
15 of all services or continuation of certain management and administrative
16 services of that financial institution for accounts of the program managed by
17 that financial institution during its term as a program manager, if any
18 continuation of services is only permitted under the following conditions:

19 1. The commission and the financial institution ~~enters~~ ENTER into a
20 written agreement specifying the rights of the program and the commission and
21 the responsibilities of the financial institution, including the standards
22 that continue to be applicable to the accounts as accounts of the program.

23 2. Any services provided by the financial institution to accounts
24 continue to be subject to the control of the commission as the trustee of the
25 fund with responsibility of all accounts of the program.

26 Sec. 25. Section 15-1875, Arizona Revised Statutes, is amended to
27 read:

28 15-1875. Program requirements

29 A. The program shall be operated through the use of accounts in the
30 fund established by account owners. Payments to the fund for participation
31 in the program shall be made by account owners pursuant to tuition savings
32 agreements. An account may be opened by any person who desires to invest in
33 the fund and to save to pay qualified higher education expenses by satisfying
34 each of the following requirements:

35 1. Completing an application in the form prescribed by the
36 commission. The application shall include the following information:

37 (a) The name, address and social security number or employer
38 identification number of the contributor.

39 (b) The name, address and social security number of the account owner
40 if the account owner is not the contributor.

41 (c) The name, address and social security number of the designated
42 beneficiary.

43 (d) The certification relating to no excess contributions required by
44 subsection ~~N~~ L.

45 (e) Any other information that the commission may require.

1 2. Paying the one-time application fee established by the commission.
2 3. Making the minimum contribution required by the commission or by
3 opening an account.

4 4. Designating the type of account to be opened if more than one type
5 of account is offered.

6 B. Any person may make contributions to an account after the account
7 is opened.

8 C. Contributions to accounts may be made only in cash.

9 ~~D. Account owners may withdraw all or part of the balance from an~~
10 ~~account on sixty days' notice, or a shorter period as may be authorized by~~
11 ~~the commission, under rules prescribed by the commission. These rules shall~~
12 ~~include provisions that will generally enable the commission or program~~
13 ~~manager to determine if a withdrawal is a nonqualified withdrawal or a~~
14 ~~qualified withdrawal. The rules may, but need not, require one or more of~~
15 ~~the following:~~

16 ~~1. Account owners seeking to make a qualified withdrawal or other~~
17 ~~withdrawal that is not a nonqualified withdrawal shall provide~~
18 ~~certifications, copies of bills for qualified higher education expenses or~~
19 ~~other supporting material.~~

20 ~~2. Qualified withdrawals from an account shall be made only by a check~~
21 ~~payable as designated by the account owner.~~

22 ~~3. Withdrawals not meeting certain requirements shall be treated as~~
23 ~~nonqualified withdrawals by the program manager, and if these withdrawals are~~
24 ~~not nonqualified withdrawals, the account owner must seek refunds of~~
25 ~~penalties, if any, directly from the commission.~~

26 ~~E.~~ D. An account owner may change the designated beneficiary of an
27 account to an individual who is a member of the family of the former
28 designated beneficiary in accordance with procedures established by the
29 commission.

30 ~~F.~~ E. On the direction of an account owner, all or a portion of an
31 account may be transferred to another account of which the designated
32 beneficiary is a member of the family of the designated beneficiary of the
33 transferee account.

34 ~~G.~~ F. Changes in designated beneficiaries and rollovers under this
35 section are not permitted if the changes or rollovers would violate either of
36 the following:

37 1. Subsection ~~N~~ L, relating to excess contributions.

38 2. Subsection ~~K~~ I, relating to investment choice.

39 ~~H. In the case of any nonqualified withdrawal from an account, a~~
40 ~~penalty may be imposed if the penalty is required for purposes of qualifying~~
41 ~~the program as a qualified tuition program under section 529 of the internal~~
42 ~~revenue code. The commission may adopt rules to establish the parameters for~~
43 ~~the assessment of penalties. Any penalties assessed shall be paid to the~~
44 ~~commission for use in operating and marketing the program and for student~~
45 ~~financial aid.~~

1 ~~I.~~ G. Each account shall be maintained separately from each other
2 account under the program.

3 ~~J.~~ H. Separate records and accounting shall be maintained for each
4 account for each designated beneficiary.

5 ~~K.~~ I. No contributor to, account owner of or designated beneficiary
6 of any account may direct the investment, within the meaning of section 529
7 of the internal revenue code, of any contributions to an account or the
8 earnings from the account.

9 ~~L.~~ J. If the commission terminates the authority of a financial
10 institution to hold accounts and accounts must be moved from that financial
11 institution to another financial institution, the commission shall select the
12 financial institution and type of investment to which the balance of the
13 account is moved unless the internal revenue service provides guidance
14 stating that allowing the account owner to select among several financial
15 institutions that are then contractors would not cause a plan to cease to be
16 a qualified tuition plan.

17 ~~M.~~ K. Neither an account owner nor a designated beneficiary may use
18 an interest in an account as security for a loan. Any pledge of an interest
19 in an account is of no force and effect.

20 ~~N.~~ L. On the recommendation of the committee, the commission shall
21 adopt rules to prevent contributions on behalf of a designated beneficiary in
22 excess of those necessary to pay the qualified higher education expenses of
23 the designated beneficiaries. The rules shall address the following:

24 1. Procedures for aggregating the total balances of multiple accounts
25 established for a designated beneficiary.

26 2. The establishment of a maximum total balance for the purpose of
27 prohibiting contributions to accounts established for a designated
28 beneficiary if the contributions would cause the maximum total balance to be
29 exceeded.

30 3. The commission shall review the quarterly reports received from
31 participating financial institutions and certify that the balance in all
32 qualified tuition programs, as defined in section 529 of the internal revenue
33 code, of which that person is the designated beneficiary does not exceed the
34 lesser of:

35 (a) A maximum college savings amount established by the commission
36 from time to time.

37 (b) The cost in current dollars of qualified higher education expenses
38 that the contributor reasonably anticipates the designated beneficiary will
39 incur.

40 4. Requirements that any excess contributions with respect to a
41 designated beneficiary be promptly withdrawn in a nonqualified withdrawal or
42 rolled over to another account in accordance with this section.

43 ~~O.~~ M. If there is any distribution from an account to any person or
44 for the benefit of any person during a calendar year, the distribution shall

1 be reported to the internal revenue service and the account owner or the
2 designated beneficiary to the extent required by federal law.

3 ~~P.~~ N. The financial institution shall provide statements to each
4 account owner at least once each year within thirty-one days after the twelve
5 month period to which they relate. The statement shall identify the
6 contributions made during a preceding twelve month period, the total
7 contributions made through the end of the period, the value of the account as
8 of the end of this period, distributions made during this period and any
9 other matters that the commission requires be reported to the account owner.

10 ~~Q.~~ O. Statements and information returns relating to accounts shall
11 be prepared and filed to the extent required by federal or state tax law.

12 ~~R.~~ P. A state or local government or organizations described in
13 section 501(c)(3) of the internal revenue code may open and become the
14 account owner of an account to fund scholarships for persons whose identity
15 will be determined after an account is opened.

16 ~~S.~~ Q. In the case of any account described in subsection ~~R~~ P, the
17 requirement that a designated beneficiary be designated when an account is
18 opened does not apply and each person who receives an interest in the account
19 as a scholarship shall be treated as a designated beneficiary with respect to
20 the interest.

21 ~~T.~~ R. Any social security numbers, addresses or telephone numbers of
22 individual account holders and designated beneficiaries that come into the
23 possession of the commission are confidential, are not public records and
24 shall not be released by the commission.

25 ~~U.~~ S. An account owner may transfer ownership rights to another
26 eligible account owner.

27 ~~V.~~ T. An account owner may designate successor account owners.

28 Sec. 26. Section 15-2011, Arizona Revised Statutes, is amended to
29 read:

30 15-2011. Minimum school facility adequacy requirements:
31 definition

32 A. The school facilities board ~~shall~~, as determined and prescribed in
33 this chapter, ~~SHALL~~ provide funding to school districts for new construction
34 as the projected number of pupils in the district will fill the existing
35 school facilities and require more pupil space.

36 B. School buildings in a school district are adequate if all of the
37 following requirements are met:

38 1. The buildings contain sufficient and appropriate space and
39 equipment that comply with the minimum school facility adequacy guidelines
40 established pursuant to subsection F of this section. The state shall not
41 fund facilities for elective courses that require the school district
42 facilities to exceed minimum school facility adequacy requirements. The
43 school facilities board shall determine whether a school building meets the
44 requirements of this paragraph by analyzing the total square footage that is

1 available for each pupil in conjunction with the need for specialized spaces
2 and equipment.

3 2. The buildings are in compliance with federal, state and local
4 building and fire codes and laws that are applicable to the particular
5 building. An existing school building is not required to comply with current
6 requirements for new buildings unless this compliance is specifically
7 mandated by law or by the building or fire code of the jurisdiction where the
8 building is located.

9 3. The building systems, including roofs, plumbing, telephone systems,
10 electrical systems, heating systems and cooling systems, are in working order
11 and are capable of being properly maintained.

12 4. The buildings are structurally sound.

13 C. The standards that shall be used by the school facilities board to
14 determine whether a school building meets the minimum adequate gross square
15 footage requirements are as follows:

16 1. For a school district that provides instruction to pupils in
17 programs for preschool children with disabilities, kindergarten programs and
18 grades one through six, eighty square feet per pupil in programs for
19 preschool children with disabilities, kindergarten programs and grades one
20 through six.

21 2. For a school district that provides instruction to up to eight
22 hundred pupils in grades seven and eight, eighty-four square feet per pupil
23 in grades seven and eight.

24 3. For a school district that provides instruction to more than eight
25 hundred pupils in grades seven and eight, eighty square feet per pupil in
26 grades seven and eight or sixty-seven thousand two hundred square feet,
27 whichever is more.

28 4. For a school district that provides instruction to up to four
29 hundred pupils in grades nine through twelve, one hundred twenty-five square
30 feet per pupil in grades nine through twelve.

31 5. For a school district that provides instruction to more than four
32 hundred and up to one thousand pupils in grades nine through twelve, one
33 hundred twenty square feet per pupil in grades nine through twelve or fifty
34 thousand square feet, whichever is more.

35 6. For a school district that provides instruction to more than one
36 thousand and up to one thousand eight hundred pupils in grades nine through
37 twelve, one hundred twelve square feet per pupil in grades nine through
38 twelve or one hundred twenty thousand square feet, whichever is more.

39 7. For a school district that provides instruction to more than one
40 thousand eight hundred pupils in grades nine through twelve, ninety-four
41 square feet per pupil in grades nine through twelve or two hundred one
42 thousand six hundred square feet, whichever is more.

43 D. The school facilities board may modify the square footage
44 requirements prescribed in subsection C of this section or modify the amount
45 of monies awarded to cure the square footage deficiency pursuant to this

1 section for particular school districts based on extraordinary circumstances
2 for any of the following considerations:

- 3 1. The number of pupils served by the school district.
- 4 2. Geographic factors.
- 5 3. Grade configurations other than those prescribed in subsection C of
6 this section.

7 E. In measuring the square footage per pupil requirements of
8 subsection C of this section, the school facilities board shall:

- 9 1. Use the most recent one hundredth day average daily membership
10 MODIFIED TO COUNT KINDERGARTEN STUDENTS AS FULL-TIME STUDENTS.

- 11 2. For each school, use the lesser of either:

- 12 (a) Total gross square footage.
- 13 (b) Student capacity multiplied by the appropriate square footage per
14 pupil prescribed by subsection C of this section.

- 15 3. Consider the total space available in all schools in use in the
16 school district, except that the school facilities board shall allow an
17 exclusion of the square footage for certain schools and the pupils within the
18 schools' boundaries if the school district demonstrates to the board's
19 satisfaction unusual or excessive busing of pupils or unusual attendance
20 boundary changes between schools.

- 21 4. Compute the gross square footage of all buildings by measuring from
22 exterior wall to exterior wall. Square footage used solely for district
23 administration, storage of vehicles and other nonacademic purposes shall be
24 excluded from the gross square footage.

- 25 5. Include all portable and modular buildings.

- 26 6. Include in the gross square footage new construction funded wholly
27 or partially by the school facilities board based on the square footage
28 funded by the school facilities board. If the new construction is to exceed
29 the square footage funded by the school facilities board, ~~then~~ the excess
30 square footage shall not be included in the gross square footage if any of
31 the following ~~apply~~ APPLIES:

- 32 (a) The excess square footage was constructed before July 1, 2002 or
33 funded by a class B bond, impact aid revenue bond or capital outlay override
34 approved by the voters after August 1, 1998 and before June 30, 2002 or
35 funded from unrestricted capital outlay expended before June 30, 2002.

- 36 (b) The excess square footage of new school facilities does not exceed
37 twenty-five per cent of the minimum square footage requirements pursuant to
38 subsection C of this section.

- 39 (c) The excess square footage of expansions to school facilities does
40 not exceed twenty-five per cent of the minimum square footage requirements
41 pursuant to subsection C of this section.

- 42 7. Require that excess square footage that is constructed after July
43 1, 2002 and that is not excluded pursuant to paragraph 6 of this subsection
44 meets the minimum school facility adequacy guidelines in order to be eligible
45 for building renewal monies as computed in section 15-2031.

1 8. Exclude square footage built under a developer agreement according
2 to section 15-342, paragraph 33 until the school facilities board provides
3 funding for the square footage under section 15-2041, subsection 0.

4 F. The school facilities board shall adopt rules establishing minimum
5 school facility adequacy guidelines. The executive director of the school
6 facilities board shall report monthly to the joint committee on capital
7 review on the progress of the development of the proposed rules establishing
8 the guidelines. The joint committee on capital review shall review the
9 proposed guidelines before the school facilities board adopts the rules to
10 establish the minimum school facility adequacy guidelines. The guidelines
11 shall provide the minimum quality and quantity of school buildings and
12 facilities and equipment necessary and appropriate to enable pupils to
13 achieve the academic standards pursuant to section 15-203, subsection A,
14 paragraphs 12 and 13 and sections 15-701 and 15-701.01. At a minimum, the
15 school facilities board shall address all of the following in developing
16 these guidelines:

- 17 1. School sites.
- 18 2. Classrooms.
- 19 3. Libraries and media centers, or both.
- 20 4. Cafeterias.
- 21 5. Auditoriums, multipurpose rooms or other multiuse space.
- 22 6. Technology.
- 23 7. Transportation.
- 24 8. Facilities for science, arts and physical education.
- 25 9. Other facilities and equipment that are necessary and appropriate
26 to achieve the academic standards prescribed pursuant to section 15-203,
27 subsection A, paragraphs 12 and 13 and sections 15-701 and 15-701.01.
- 28 10. Appropriate combinations of facilities or uses listed in this
29 section.

30 G. The board shall consider the facilities and equipment of the
31 schools with the highest academic productivity scores, as prescribed in
32 section 15-2002, subsection A, paragraph 9, subdivision (d), and the highest
33 parent quality ratings in the establishment of the guidelines.

34 H. The school facilities board may consider appropriate combinations
35 of facilities or uses in making assessments of and curing existing
36 deficiencies pursuant to section 15-2002, subsection A, paragraph 1 and in
37 certifying plans for new school facilities pursuant to section 15-2002,
38 subsection A, paragraph 5.

39 I. For the purposes of this section, "student capacity" means the
40 capacity adjusted to include any additions to or deletions of space,
41 including modular or portable buildings at the school. The school facilities
42 board shall determine the student capacity for each school in conjunction
43 with each school district, recognizing each school's allocation of space as
44 of July 1, 1998, to achieve the academic standards prescribed pursuant to

1 section 15-203, subsection A, paragraphs 12 and 13 and sections 15-701 and
2 15-701.01.

3 Sec. 27. Title 15, chapter 16, article 4, Arizona Revised Statutes, is
4 amended by adding section 15-2032, to read:

5 15-2032. School facilities board building renewal grant fund:
6 definitions

7 A. NOTWITHSTANDING SECTION 15-2031, THE BUILDING RENEWAL GRANT FUND IS
8 ESTABLISHED CONSISTING OF MONIES APPROPRIATED TO THE FUND BY THE LEGISLATURE.
9 THE SCHOOL FACILITIES BOARD SHALL ADMINISTER THE FUND AND DISTRIBUTE MONIES
10 TO SCHOOL DISTRICTS FOR THE PURPOSE OF MAINTAINING THE ADEQUACY OF EXISTING
11 SCHOOL FACILITIES. MONIES IN THE FUND ARE EXEMPT FROM THE PROVISIONS OF
12 SECTION 35-190 RELATING TO LAPSING OF APPROPRIATIONS.

13 B. THE SCHOOL FACILITIES BOARD SHALL DISTRIBUTE MONIES FROM THE FUND
14 BASED ON GRANT REQUESTS FROM SCHOOL DISTRICTS TO FUND PRIMARY BUILDING
15 RENEWAL PROJECTS. PROJECT REQUESTS SHALL BE PRIORITIZED BY THE SCHOOL
16 FACILITIES BOARD, WITH PRIORITY GIVEN TO SCHOOL DISTRICTS THAT HAVE PROVIDED
17 ROUTINE PREVENTATIVE MAINTENANCE ON THE FACILITY, AND TO SCHOOL DISTRICTS
18 THAT CAN PROVIDE A MATCH OF MONIES PROVIDED BY THE FUND. THE SCHOOL
19 FACILITIES BOARD SHALL APPROVE ONLY PROJECTS THAT WILL BE COMPLETED WITHIN
20 TWELVE MONTHS, UNLESS SIMILAR PROJECTS ON AVERAGE TAKE LONGER TO COMPLETE.

21 C. SCHOOL DISTRICTS THAT RECEIVE MONIES FROM THE FUND SHALL USE THESE
22 MONIES ON PROJECTS FOR BUILDINGS OR ANY PART OF A BUILDING IN THE SCHOOL
23 FACILITIES BOARD'S DATABASE FOR ANY OF THE FOLLOWING:

24 1. MAJOR RENOVATIONS AND REPAIRS TO A BUILDING.
25 2. UPGRADING SYSTEMS AND AREAS THAT WILL MAINTAIN OR EXTEND THE USEFUL
26 LIFE OF THE BUILDING.

27 3. INFRASTRUCTURE COSTS.

28 D. MONIES RECEIVED FROM THE FUND SHALL NOT BE USED FOR ANY OF THE
29 FOLLOWING PURPOSES:

30 1. NEW CONSTRUCTION.
31 2. REMODELING INTERIOR SPACE FOR AESTHETIC OR PREFERENTIAL REASONS.
32 3. EXTERIOR BEAUTIFICATION.
33 4. DEMOLITION.

34 5. THE PURCHASE OF SOFT CAPITAL ITEMS PURSUANT TO SECTION 15-962.

35 6. ROUTINE PREVENTATIVE MAINTENANCE.

36 E. FOR THE PURPOSES OF THIS SECTION:

37 1. "PRIMARY BUILDING RENEWAL PROJECTS" MEANS PROJECTS THAT ARE
38 NECESSARY FOR BUILDINGS OWNED BY SCHOOL DISTRICTS THAT ARE REQUIRED TO MEET
39 THE MINIMUM ADEQUACY STANDARDS FOR STUDENT CAPACITY AND THAT FALL BELOW THE
40 MINIMUM SCHOOL FACILITY ADEQUACY GUIDELINES, AS ADOPTED BY THE SCHOOL
41 FACILITIES BOARD PURSUANT TO SECTION 15-2011, FOR SCHOOL DISTRICTS THAT HAVE
42 PROVIDED ROUTINE PREVENTATIVE MAINTENANCE TO THE SCHOOL FACILITY.

43 2. "ROUTINE PREVENTATIVE MAINTENANCE" MEANS SERVICES THAT ARE
44 PERFORMED ON A REGULAR SCHEDULE AT INTERVALS RANGING FROM FOUR TIMES A YEAR

1 TO ONCE EVERY THREE YEARS AND THAT ARE INTENDED TO EXTEND THE USEFUL LIFE OF
2 A BUILDING SYSTEM AND REDUCE THE NEED FOR MAJOR REPAIRS.

3 3. "STUDENT CAPACITY" HAS THE SAME MEANING PRESCRIBED IN SECTION
4 15-2011.

5 Sec. 28. Section 28-8101, Arizona Revised Statutes, is amended to
6 read:

7 28-8101. Local transportation assistance fund

8 A. A local transportation assistance fund is established consisting
9 of:

10 1. Monies deposited from the state lottery fund pursuant to section
11 5-522.

12 2. Monies appropriated pursuant to subsection B of this section.

13 3. Monies deposited pursuant to section 28-5808, subsection C.

14 4. Interest earned on local transportation assistance monies as
15 provided in subsection C of this section.

16 B. The legislature shall appropriate an amount that is necessary to
17 provide that the total monies available in the local transportation
18 assistance fund for each fiscal year equal twenty million five hundred
19 thousand dollars.

20 C. The state treasurer shall invest and divest monies in the local
21 transportation assistance fund as provided by section 35-313, and monies
22 earned from investment shall be credited to the fund.

23 D. A maximum amount of twenty-three million dollars may be deposited
24 in the local transportation assistance fund each fiscal year from the state
25 lottery fund as provided in section 5-522, subsection B.

26 E. A maximum amount of eighteen million dollars may be deposited in
27 the local transportation assistance fund each fiscal year from the state
28 lottery fund as provided in section 5-522, subsection A, ~~paragraphs 4 and 6~~
29 **PARAGRAPH 3.**

30 Sec. 29. Section 28-8103, Arizona Revised Statutes, is amended to
31 read:

32 28-8103. Special lottery and vehicle license tax monies; fund
33 distribution; notice; proposals; annual financial
34 report; definitions

35 A. Monies in the local transportation assistance fund pursuant to
36 section 5-522, subsection A, ~~paragraphs 4 and 6~~ **PARAGRAPH 3** and section
37 28-5808, subsection C shall be available for distribution by the department
38 to the following in the proportion that the population of each bears to the
39 total population of this state:

40 1. In each county with a population of one million two hundred
41 thousand or more persons, to the public transportation fund established by
42 section 48-5103.

43 2. In each county with a population of five hundred thousand or more
44 persons but less than one million two hundred thousand persons, to the
45 metropolitan planning organization in the county.

1 3. In each county with a population of less than five hundred thousand
2 persons, to cities and towns located in the county and to the county board of
3 supervisors. The distribution to the county board of supervisors shall be
4 based on the unincorporated population of the county.

5 B. The department shall not distribute more than eighteen million
6 dollars in any one fiscal year as provided in this section. Monies
7 distributed pursuant to this section are exempt from the provisions of
8 section 35-190 relating to lapsing of appropriations.

9 C. The department shall distribute monies to a public transportation
10 fund or a metropolitan planning organization pursuant to subsection A,
11 paragraphs 1 and 2 of this section when a regional public transportation
12 authority or metropolitan planning organization certifies that its local
13 monies have been spent or are in the process of being spent. The monies
14 distributed pursuant to subsection A, paragraphs 1 and 2 of this section
15 shall be further distributed as matching grants to cities and towns located
16 in the county in the proportion that the population of each city or town
17 bears to the total population in that county and to the board of supervisors
18 in the proportion that the unincorporated population of the county bears to
19 the total population in that county. The monies distributed pursuant to
20 subsection A, paragraph 3 of this section shall be distributed as matching
21 grants to cities, towns and boards of supervisors.

22 D. Monies distributed pursuant to subsection C of this section shall
23 only be distributed to cities, towns and counties that satisfy the following
24 match requirements:

25 1. For counties with a population of five hundred thousand or more
26 persons, a match that is at least equal to the amount of grant monies
27 requested by a county.

28 2. For counties with a population of less than five hundred thousand
29 persons, a match that is at least equal to one-fourth of the amount of grant
30 monies requested by a county.

31 3. For cities with a population of fifty thousand or more persons, a
32 match that is at least equal to the amount of grant monies requested by a
33 city.

34 4. For cities or towns with a population of less than fifty thousand
35 persons, a match that is at least equal to one-fourth of the amount of the
36 grant monies requested by a city or town.

37 E. A regional public transportation authority, a metropolitan planning
38 organization and the department shall notify cities, towns and boards of
39 supervisors within their jurisdictions of the maximum amount of matching
40 grant monies available to them each year pursuant to this section. Each year
41 cities, towns and counties may submit proposals to a regional public
42 transportation authority, a metropolitan planning organization or the
43 department requesting some or all of the matching grant monies available to
44 them in that year. For distributions pursuant to subsection A, paragraph 1
45 or 2 of this section, each proposal shall certify that the city, town or

1 county will invest local monies in an amount that is at least equal to the
2 amount prescribed in subsection D of this section and shall detail a plan for
3 spending all matching grant and local monies, and if a city, town or county
4 complies with this section, the regional public transportation authority or
5 metropolitan planning organization shall distribute matching grant monies to
6 the city, town or county. For distributions pursuant to subsection A,
7 paragraph 3 of this section, each proposal shall certify that the city, town
8 or county will invest local monies in an amount that is at least equal to the
9 amount prescribed in subsection D of this section and shall detail a plan for
10 spending all matching grant and local monies.

11 F. Except as provided in subsection G of this section, monies
12 distributed pursuant to this section shall be used only for public transit
13 purposes, including operating and capital purposes, that are determined by
14 the distributing agency to conform with the long-range transportation plan or
15 regional transportation plan.

16 G. A city, town or county may use monies it receives pursuant to this
17 section for other transportation purposes if it receives less than two
18 thousand five hundred dollars pursuant to this section in a calendar year.

19 H. On or before November 1 of each year, a regional public
20 transportation authority or metropolitan planning organization that receives
21 monies pursuant to this section shall submit an annual report to the director
22 that contains the following information that is attested to by an independent
23 certified public accountant:

24 1. A schedule of beginning and ending fund balances.

25 2. All monies received pursuant to this section and the specific
26 purposes for which they are spent, including whether they are spent for
27 operating or capital purposes.

28 3. All local matching expenditures made pursuant to this section.

29 I. On or before January 1 of each year, the director shall submit a
30 report on compliance with the reporting requirements prescribed in this
31 section to the governor, the president of the senate, the speaker of the
32 house of representatives and the joint legislative budget committee. The
33 director's report shall include:

34 1. A determination of whether each regional public transportation
35 authority and metropolitan planning organization has complied with the
36 reporting requirements prescribed in this section.

37 2. A summary of the monies allocated to each regional public
38 transportation authority and metropolitan planning organization pursuant to
39 this section in the preceding fiscal year.

40 3. A summary of local monies spent on public transit pursuant to this
41 section.

42 J. The director shall notify by certified mail each regional public
43 transportation authority and metropolitan planning organization that is not
44 in compliance with the reporting requirements prescribed in this section of
45 its noncompliance. A regional public transportation authority or

1 metropolitan planning organization that receives this notice shall comply
2 with the reporting requirements prescribed in this section within thirty days
3 after receipt of the notice. If a regional public transportation authority
4 or metropolitan planning organization fails to comply with the reporting
5 requirements prescribed in this section within thirty days after receipt of
6 the notice, it is not eligible to receive any monies pursuant to this section
7 in the next fiscal year.

8 K. A metropolitan planning organization, city, town or county may
9 enter into an intergovernmental agreement with a federally recognized Indian
10 tribe to provide financial assistance pursuant to this section for
11 maintaining or operating an existing public transit service provided by the
12 Indian tribe.

13 L. For the purposes of this section:

14 1. "Local monies" means:

15 (a) Revenue that is generated by a city, town or county from
16 nonfederal sources and that was first appropriated by the city, town or
17 county for public transit activities in or after fiscal year 1993-1994.

18 (b) Donations that are received by a city, town or county from
19 nongovernmental sources and that are in the form of monies or in-kind
20 contributions.

21 2. "Population" means the population of a city, town or county as
22 defined pursuant to section 41-563.

23 3. "Public transit" means local, regional or intercity transportation
24 of passengers by means of a public conveyance, including para-transit, and
25 local transportation of passengers by car pool vehicle. For the purposes of
26 this paragraph, "car pool vehicle" means any motor vehicle when operated by a
27 car pool operator as defined in section 28-4032.

28 Sec. 30. Section 41-1276, Arizona Revised Statutes, is amended to
29 read:

30 41-1276. Truth in taxation levy for equalization assistance to
31 school districts

32 A. On or before February 15 of each year, the joint legislative budget
33 committee shall compute and transmit the truth in taxation rates for
34 equalization assistance for school districts for the following fiscal year
35 to:

36 1. The chairmen of the house of representatives ways and means
37 committee and the senate finance committee or their successor committees.

38 2. The chairmen of the appropriations committees of the senate and the
39 house of representatives or their successor committees.

40 B. The truth in taxation rates consist of the qualifying tax rate for
41 a high school district or a common school district within a high school
42 district that does not offer instruction in high school subjects pursuant to
43 section 15-971, subsection B, paragraph 1, a qualifying tax rate for a
44 unified district, a common school district not within a high school district
45 or a common school district within a high school district that offers

1 instruction in high school subjects pursuant to section 15-971, subsection B,
2 paragraph 2 and a state equalization assistance property tax rate pursuant to
3 section 15-994 that will offset the change in net assessed valuation of
4 property that was subject to tax in the prior year.

5 C. The joint legislative budget committee shall compute the truth in
6 taxation rates as follows:

7 1. Determine the statewide primary net assessed value for the
8 preceding tax year as provided in section 42-17151, subsection A,
9 paragraph 3.

10 2. Determine the statewide primary net assessed value for the current
11 tax year, excluding the net assessed value of property that was not subject
12 to tax in the preceding year.

13 3. Divide the amount determined in paragraph 1 of this subsection by
14 the amount determined in paragraph 2 of this subsection.

15 4. Adjust the qualifying tax rates and the state equalization
16 assistance property tax rate for the current fiscal year by the percentage
17 determined in paragraph 3 of this subsection in order to offset the change in
18 net assessed value.

19 D. Except as provided in subsections E and G of this section, the
20 qualifying tax rate for a high school district or a common school district
21 within a high school district that does not offer instruction in high school
22 subjects, the qualifying tax rate for a unified school district, a common
23 school district not within a high school district or a common school district
24 within a high school district that offers instruction in high school subjects
25 and the state equalization assistance property tax rate for the following
26 fiscal year shall be the rate determined by the joint legislative budget
27 committee pursuant to subsection C of this section. The committee shall
28 transmit the rates to the superintendent of public instruction and the county
29 boards of supervisors by March 15 each year.

30 E. If the legislature proposes either qualifying tax rates or a state
31 equalization assistance property tax rate that exceeds the truth in taxation
32 rate:

33 1. The house of representatives ways and means committee and the
34 senate finance committee or their successor committees shall hold a joint
35 hearing on or before February 28 and publish a notice of a truth in taxation
36 hearing that meets the following requirements:

37 (a) The notice shall be published twice in a newspaper of general
38 circulation in this state that is published at the state capital. The first
39 publication shall be at least fourteen but not more than twenty days before
40 the date of the hearing. The second publication shall be at least seven but
41 not more than ten days before the date of the hearing.

42 (b) The notice shall be published in a location other than the
43 classified or legal advertising section of the newspaper.

44 (c) The notice shall be at least one-fourth page in size and shall be
45 surrounded by a solid black border at least one-eighth inch in width.

1 (d) The notice shall be in the following form, with the "truth in
2 taxation hearing - notice of tax increase" headline in at least eighteen
3 point type:

4 Truth in Taxation Hearing

5 Notice of Tax Increase

6 In compliance with section 41-1276, Arizona Revised
7 Statutes, the state legislature is notifying property taxpayers
8 in Arizona of the legislature's intention to raise the property
9 tax levy over last year's level.

10 The proposed tax increase will cause the taxes on a
11 \$100,000 home to increase by \$_____.

12 All interested citizens are invited to attend a public
13 hearing on the tax increase that is scheduled to be held
14 _____ (date and time) at _____ (location).

15 (e) For purposes of computing the tax increase on a one hundred
16 thousand dollar home as required by the notice, the joint meeting of the
17 house of representatives ways and means committee and the senate finance
18 committee or their successor committees shall consider the difference between
19 the truth in taxation rate and the proposed increased rate.

20 2. The joint meeting of the house of representatives ways and means
21 committee and the senate finance committee or their successor committees
22 shall consider any motion to recommend the proposed tax rates to the full
23 legislature by roll call vote.

24 F. In addition to publishing the truth in taxation notice under
25 subsection E, paragraph 1 of this section, the joint meeting of the house of
26 representatives ways and means committee and the senate finance committee or
27 their successor committees shall issue a press release containing the truth
28 in taxation notice.

29 G. Notwithstanding any other law, the legislature shall not adopt a
30 state budget that provides for either qualifying tax rates pursuant to
31 section 15-971 or a state equalization assistance property tax rate pursuant
32 to section 15-994 that exceeds the truth in taxation rates computed pursuant
33 to subsection A of this section unless the rates are adopted by a concurrent
34 resolution approved by an affirmative roll call vote of two-thirds of the
35 members of each house of the legislature before the legislature enacts the
36 general appropriations bill. If the resolution is not approved by two-thirds
37 of the members of each house of the legislature, the rates for the following
38 fiscal year shall be the truth in taxation rates determined pursuant to
39 subsection C of this section and shall be transmitted to the superintendent
40 of public instruction and the county boards of supervisors.

41 H. Notwithstanding subsection C of this section and if approved by the
42 qualified electors voting at a statewide general election, the legislature
43 shall not set a qualifying tax rate that exceeds \$2.1265 for a common or high
44 school district or \$4.253 for a unified school district. The legislature

1 shall not set a county equalization assistance for education rate that
2 exceeds \$0.5123.

3 I. Pursuant to subsection C of this section, the qualifying tax rate
4 in tax year ~~2007~~ 2008 for a high school district or a common school district
5 within a high school district that does not offer instruction in high school
6 subjects as provided in section 15-447 is ~~\$1.6020~~ \$1.4622 and for a unified
7 school district, a common school district not within a high school district
8 or a common school district within a high school district that offers
9 instruction in high school subjects as provided in section 15-447 is ~~\$3.2040~~
10 \$2.9244. The state equalization assistance property tax rate in tax years
11 2006, 2007 and 2008 is zero. The state equalization assistance property tax
12 rate in tax year 2009 shall be computed by annually adjusting the tax year
13 2005 rate of \$0.4358 as provided by this section through tax year 2009.

14 Sec. 31. Repeal

15 Section ~~41-3008.14~~, Arizona Revised Statutes, is repealed.

16 Sec. 32. Repeal

17 Section ~~41-3008.19~~, Arizona Revised Statutes, is repealed.

18 Sec. 33. Title 41, chapter 27, article 2, Arizona Revised Statutes, is
19 amended by adding section 41-3010.24, to read:

20 ~~41-3010.24.~~ Commission for postsecondary education; termination
21 July 1, 2010

22 A. THE COMMISSION FOR POSTSECONDARY EDUCATION TERMINATES ON
23 JULY 1, 2010.

24 B. TITLE 15, CHAPTER 14, ARTICLE 5 IS REPEALED ON JANUARY 1, 2011.

25 Sec. 34. Title 41, chapter 27, article 2, Arizona Revised Statutes, is
26 amended by adding section 41-3018.19, to read:

27 ~~41-3018.19.~~ School facilities board; termination July 1, 2018

28 A. THE SCHOOL FACILITIES BOARD TERMINATES ON JULY 1, 2018.

29 B. TITLE 15, CHAPTER 16 IS REPEALED ON JANUARY 1, 2019 ONLY IF EITHER:

30 1. THE BOARD HAS NO OUTSTANDING STATE SCHOOL FACILITIES REVENUE BONDS
31 ISSUED PURSUANT TO TITLE 15, CHAPTER 16, ARTICLE 6, NO OUTSTANDING STATE
32 SCHOOL IMPROVEMENT REVENUE BONDS ISSUED PURSUANT TO TITLE 15, CHAPTER 16,
33 ARTICLE 7 AND NO OUTSTANDING LEASE-TO-OWN TRANSACTIONS PURSUANT TO SECTIONS
34 15-2004, 15-2005 AND 15-2006.

35 2. THE LEGISLATURE HAS OTHERWISE PROVIDED FOR PAYING OR RETIRING ANY
36 OUTSTANDING STATE SCHOOL FACILITIES REVENUE BONDS, ANY OUTSTANDING STATE
37 SCHOOL IMPROVEMENT REVENUE BONDS AND ANY OUTSTANDING LEASE-TO-OWN
38 TRANSACTIONS.

39 C. IF NEITHER OF THE CONDITIONS IN SUBSECTION B OF THIS SECTION HAVE
40 OCCURRED ON OR BEFORE JANUARY 1, 2019, TITLE 15, CHAPTER 16 IS REPEALED
41 THIRTY DAYS AFTER THE RETIREMENT OF ALL REVENUE BONDS ISSUED PURSUANT TO
42 TITLE 15, CHAPTER 16, ARTICLES 6 AND 7 AND ANY OUTSTANDING LEASE-TO-OWN
43 TRANSACTIONS ISSUED PURSUANT TO SECTIONS 15-2004, 15-2005 AND 15-2006.

1 Sec. 35. Distribution of lottery revenues to university capital
2 lease-to-own and bond fund in fiscal year 2008-2009

3 In addition to other distributions prescribed by law, of the monies
4 remaining in the state lottery fund in fiscal year 2008-2009 after
5 appropriations and deposits authorized in section 5-522, subsections A
6 through G, Arizona Revised Statutes, as amended by this act, and after a
7 total of at least \$47,000,000 has been deposited in the state general fund,
8 an additional \$10,000,000 shall be deposited in the state general fund and
9 the remaining balance in the state lottery fund shall be deposited in the
10 university capital improvement lease-to-own and bond fund established by
11 section 15-1682.03, Arizona Revised Statutes, as added by this act, up to a
12 maximum of \$20,000,000.

13 Sec. 36. Exemption from rule making

14 A. For the purposes of this act, the Arizona board of regents is
15 exempt from the rule making requirements of title 41, chapter 6, Arizona
16 Revised Statutes, for one year after the effective date of this act.

17 B. For the purposes of this act, the Arizona state lottery commission
18 is exempt from the rule making requirements of title 41, chapter 6, Arizona
19 Revised Statutes, until December 31, 2008.

20 Sec. 37. Distribution of lottery revenues to local
21 transportation assistance fund in fiscal year
22 2008-2009

23 Notwithstanding section 5-522, subsection A, paragraph 3, Arizona
24 Revised Statutes, as amended by this act, in fiscal year 2008-2009 the sum of
25 \$9,499,300 shall be paid from the state lottery fund to the local
26 transportation assistance fund established by section 28-8101, Arizona
27 Revised Statutes, as amended by this act.

28 Sec. 38. Appropriation; operating expenses for an agencywide
29 performance based compensation plan

30 The sum of \$750,000 is appropriated from the state lottery fund in
31 fiscal year 2008-2009 to the Arizona state lottery for operating expenses for
32 an agencywide performance based compensation plan for state lottery
33 employees.

34 Sec. 39. University of Arizona Phoenix biomedical campus

35 Of the maximum of one billion dollars in lease-to-own and bond
36 agreements authorized under section 15-1682.03, Arizona Revised Statutes, as
37 added by this act, the Arizona board of regents shall allocate \$470,000,000
38 in bond proceeds to the construction of the university of Arizona Phoenix
39 biomedical campus.

40 Sec. 40. Financial aid trust fund; required state match

41 Notwithstanding section 15-1642, subsection C, Arizona Revised
42 Statutes, for fiscal year 2008-2009, each dollar raised pursuant to the
43 surcharge on student registration established in section 15-1642, subsection
44 A, Arizona Revised Statutes, may be matched by less than two dollars
45 appropriated by the legislature.

1 Sec. 41. Community colleges: capital outlay aid: suspension

2 Notwithstanding section 15-1464, Arizona Revised Statutes, or any other
3 law, capital outlay state aid for community colleges is suspended for fiscal
4 year 2008-2009.

5 Sec. 42. Community colleges: operating state aid

6 Notwithstanding section 15-1466, Arizona Revised Statutes, the fiscal
7 year 2008-2009 appropriation for operating state aid for community colleges
8 shall be the amount appropriated in the general appropriation act.

9 Sec. 43. Community colleges: equalization aid

10 Notwithstanding section 15-1468, Arizona Revised Statutes, the fiscal
11 year 2008-2009 appropriation for equalization aid for community colleges
12 shall be the amount appropriated in the general appropriation act.

13 Sec. 44. Repeal

14 Laws 2006, chapter 375, section 6 is repealed.

15 Sec. 45. Repeal

16 Laws 2007, chapter 264, section 14 is repealed.

17 Sec. 46. Purpose

18 Pursuant to section 41-2955, subsection B, Arizona Revised Statutes,
19 the legislature continues the school facilities board to evaluate the school
20 capital needs of school districts and to distribute monies to school
21 districts in order to cure existing deficiencies, for building renewal and
22 for the construction of new facilities.

23 Sec. 47. Joint technological education district equalization
24 funding; pro rata reduction

25 A. Notwithstanding section 15-393, Arizona Revised Statutes, or any
26 other law, the department of education shall fund state aid for joint
27 technological education districts for fiscal year 2008-2009 at ninety-one per
28 cent of the amount that otherwise would be provided by law.

29 B. Notwithstanding subsection A of this section, a joint technological
30 education district shall not receive less equalization formula funding for
31 fiscal year 2008-2009 than it received for fiscal year 2007-2008 except for
32 reductions due to changes in student counts, net assessed property values or
33 other technical factors or due to prior year adjustments or corrections. For
34 the purposes of this subsection, "equalization formula funding" means the sum
35 of a joint technological education district's base support level, as
36 prescribed in section 15-943.02, Arizona Revised Statutes, and its capital
37 outlay revenue limit and soft capital allocation, as prescribed in section
38 15-962.01, Arizona Revised Statutes.

39 Sec. 48. Reduction in school district state aid apportionment;
40 fiscal year 2008-2009; appropriations in fiscal year
41 2009-2010

42 A. Notwithstanding any other law, the state board of education shall
43 defer until July 1, 2009 \$602,627,700 of the basic state aid and additional
44 state aid payment that otherwise would be apportioned to school districts

1 under law on May 15, 2009 and June 15, 2009. The funding deferral required
2 by this subsection does not apply to charter schools.

3 B. The sum of \$602,627,700 is appropriated in fiscal year 2009-2010
4 from the state general fund to the state board of education and the
5 superintendent of public instruction for basic state aid and additional state
6 aid entitlement for fiscal year 2009-2010. This appropriation shall be
7 disbursed on July 1, 2009 to the several counties for the school districts in
8 each county in amounts equal to the reductions in apportionment of basic
9 state aid and additional state aid that are required pursuant to subsection A
10 for fiscal year 2008-2009.

11 C. The sum of \$886,200 is appropriated in fiscal year 2009-2010 from
12 the state general fund to the state board of education and the superintendent
13 of public instruction for any costs to school districts that may be
14 associated with the reductions in apportionment of basic state aid and
15 additional state aid for fiscal year 2008-2009 that are required pursuant to
16 subsection A. This appropriation shall be disbursed on July 1, 2009 to the
17 several counties for the school districts in each county and shall be
18 allocated based on the per cent of the total \$602,627,700 deferred payment
19 for fiscal year 2008-2009 that is attributable to each individual school
20 district.

21 D. Notwithstanding any provision of law, for fiscal year 2009-2010, if
22 the governing board of a school district incurred interest expenses for
23 registering warrants in fiscal year 2008-2009 or expects to incur interest
24 expenses for registering warrants in fiscal year 2009-2010 pursuant to
25 subsection A, the governing board may budget an estimated amount for those
26 interest expenses. Any such amount is specifically exempt from the revenue
27 control limit in fiscal year 2009-2010. If the budgeted estimate amount is
28 greater than the amount received pursuant to subsection C, the governing
29 board shall not expend more than the amount received pursuant to
30 subsection C. If the budgeted estimate amount is less than the amount
31 received pursuant to subsection C, the governing board may revise its budget
32 during fiscal year 2009-2010 to include the actual amount received pursuant
33 to subsection C and shall not expend more than the amount received pursuant
34 to subsection C.

35 E. School districts shall include in the revenue estimates that they
36 use for computing their tax rates for fiscal year 2008-2009 the monies that
37 they will receive pursuant to subsection C.

38 Sec. 49. Technology assisted project-based instruction program;
39 correction of state aid; prohibition

40 Notwithstanding section 15-915, Arizona Revised Statutes, or any other
41 law, the department of education shall not correct state aid for a technology
42 assisted project-based instruction program for fiscal year 2007-2008 or prior
43 fiscal years in order to address issues pertaining to concurrent enrollment
44 that were identified in the October 2007 auditor general performance audit of
45 the program.

1 Sec. 50. Audits: average daily membership

2 For fiscal year 2008-2009, the department of education or the office of
3 the auditor general may conduct average daily membership audits of school
4 districts and charter schools.

5 Sec. 51. Desegregation budget: limit

6 Notwithstanding section 15-910, Arizona Revised Statutes, the maximum
7 amount that a school district may budget for desegregation activities for
8 fiscal year 2008-2009 shall be computed as follows:

9 1. Determine the amount that the district budgeted for desegregation
10 activities for fiscal year 2007-2008 pursuant to Laws 2007, chapter 264,
11 section 15.

12 2. Compute the percentage increase in average daily membership for the
13 district, as defined in section 15-901, Arizona Revised Statutes, as amended
14 by this act, for the 2007-2008 school year above the 2006-2007 school year.
15 If average daily membership for the district decreased for the 2007-2008
16 school year below the 2006-2007 school year, assume a per cent increase of
17 zero.

18 3. Multiply the amount determined in paragraph 1 of this section by
19 the percentage determined in paragraph 2 of this section.

20 4. Multiply the amount determined in paragraph 1 of this section by
21 two per cent for assumed inflation.

22 5. Add the amounts determined in paragraphs 1, 3 and 4 of this
23 section.

24 Sec. 52. Adjustment for rapid decline in student count for
25 fiscal year 2008-2009

26 Notwithstanding section 15-942, Arizona Revised Statutes, for fiscal
27 year 2008-2009, the department of education shall not provide rapid decline
28 funding to school districts.

29 Sec. 53. New construction moratorium

30 A. Notwithstanding sections 15-2011 and 15-2041, Arizona Revised
31 Statutes, for fiscal year 2008-2009, the school facilities board shall not
32 authorize or award funding for the design or construction of any new school
33 facility unless the school district qualifies under subsection C of this
34 section. Additionally in fiscal year 2008-2009, the school facilities board
35 shall not authorize or award funding for school site acquisitions.

36 B. During fiscal year 2008-2009, school districts shall submit capital
37 plans according to section 15-2041, subsection C, Arizona Revised Statutes.
38 The school facilities board may review and award new school facilities as
39 outlined in section 15-2041, Arizona Revised Statutes, subject to future
40 appropriations.

41 C. If a school district qualifies for additional space in fiscal year
42 2008-2009 due to the implementation of full-day kindergarten, the school
43 facilities board shall provide monies for architectural and engineering fees,
44 project management services and preconstruction services according to section
45 15-2041, subsection E, Arizona Revised Statutes.

1 Sec. 54. School facilities board lease-to-own

2 Notwithstanding section 15-2004, subsection M, section 15-2005,
3 subsection M and section 15-2006, Arizona Revised Statutes, the school
4 facilities board shall enter into lease-to-own transactions for up to a
5 maximum of \$593,000,000 in fiscal year 2008-2009. Of this amount,
6 \$344,000,000 shall be recouped from fiscal year 2007-2008 and prior year
7 expenditures, \$8,000,000 shall be used for capital costs for full-day
8 kindergarten and \$12,000,000 shall be used pursuant to section 59, subsection
9 B of this act, relating to school facilities board loan agreement. The
10 lease-to-own transactions shall not mature more than fifteen years from the
11 respective dates of the transaction.

12 Sec. 55. Intent

13 A. It is the intent of the legislature to expand teacher performance
14 pay programs for all school districts and charter schools by appropriating
15 monies to the classroom site fund.

16 B. It is the intent of the legislature that monies appropriated to the
17 classroom site fund as specified in section 15-977, subsection G, paragraph
18 3, Arizona Revised Statutes, as amended by this act, be used by school
19 districts and charter schools to enhance student achievement by providing
20 additional performance pay to teachers.

21 C. It is the intent of the legislature by this act to reduce local
22 property taxes and to reduce local property tax burdens of the taxpayers of
23 this state by requiring reductions in funding for school districts with
24 career ladder programs or optional performance incentive programs that choose
25 to participate in the additional performance pay programs established
26 pursuant to section 15-977, subsection G, paragraph 3, Arizona Revised
27 Statutes, as amended by this act.

28 Sec. 56. School facilities board cash flow

29 The sum of \$117,000,000 is appropriated to the school facilities board
30 from the general fund in fiscal year 2008-2009 to use for new construction
31 projects due to an insufficient cash balance before lease-to-own proceeds are
32 received as pursuant to section 49 of this act. This appropriation shall be
33 repaid from the lease-to-own proceeds authorized in section 49 of this act by
34 the end of fiscal year 2008-2009.

35 Sec. 57. Purpose

36 Pursuant to section 41-2955, subsection B, Arizona Revised Statutes,
37 the legislature continues the commission for postsecondary education to:

38 1. Conduct, supervise and coordinate the review of public and private
39 postsecondary education institutions in this state to determine their
40 eligibility for student financial aid monies.

41 2. Administer specifically identified federal and state financial aid
42 programs.

43 3. Provide a forum to public and private postsecondary education
44 institutions for discussion of issues of mutual interest.

1 4. Coordinate and promote studies of interest to postsecondary
2 institutions.

3 5. Provide information to the public on postsecondary education
4 opportunities in this state.

5 Sec. 58. Department of education; e-learning pilot program
6 funding; reversion

7 Of the \$3,000,000 appropriated from the state general fund to the
8 department of education e-learning pilot program by Laws 2006, chapter 375,
9 section 6, as notwithstanding by Laws 2007, chapter 264, section 14, any
10 unexpended amounts revert to the state general fund on the effective date of
11 this act.

12 Sec. 59. Loan agreement; school facilities board

13 A. Notwithstanding section 15-342, Arizona Revised Statutes, until
14 December 31, 2008, the school facilities board and a union high school
15 district are authorized to enter into an loan agreement to fund facilities
16 costs if the school district meets all of the following criteria:

17 1. The school facilities board determines in a public meeting that the
18 union school district has an existing facility condition that violates the
19 state minimum facilities guidelines established by section 15-2011, Arizona
20 Revised Statutes.

21 2. The union high school district applied for emergency deficiencies
22 funding for provided by section 15-2022, Arizona Revised Statutes, for the
23 existing facility condition under paragraph 1 of this subsection and
24 emergency deficiencies funding was denied by the school facilities board.

25 3. The school district is an union high school district that is
26 located in a county with a population that exceeds one million five hundred
27 thousand persons.

28 4. The school district's student count for the 2006-2007 school year
29 was more than twelve thousand five hundred pupils and less than fourteen
30 thousand pupils.

31 5. The school district has sufficient class B bonding capacity to
32 cover the entire loan amount provided by the school facilities board.

33 6. An election will be requested pursuant to subsection D of this
34 section to authorize the issuance of class B bonds to fund the existing
35 facility condition under paragraph 1 of this subsection.

36 B. Notwithstanding section 15-2041, Arizona Revised Statutes, the
37 school facilities board may loan up to twelve million dollars from monies in
38 the new school facilities fund to a union high school district as provided in
39 subsection A of this section.

40 C. The loan agreement entered into by the school facilities board and
41 the union high school district pursuant to subsection A of this section shall
42 include the specific purpose of the loan, including the list of capital
43 improvements, the total amount of the loan, the repayment schedule and the
44 conditions under which the school facilities board is authorized to loan
45 monies to the union high school district as provided in this section. The

1 school facilities board shall consider the availability of school district
2 monies when establishing the repayment schedule.

3 D. If a union school district enters into a loan agreement with the
4 school facilities board pursuant to subsection A of this section, the school
5 district governing board shall request that the county school superintendent
6 call for an election no later than twelve months of the date of the loan
7 agreement entered into by the school facilities board and the union high
8 school district to authorize the school district to issue class B bonds for
9 the purposes prescribed in this section. The publicity pamphlet for the bond
10 election shall be prepared and distributed pursuant to section 15-491,
11 subsection H, paragraph 6, subdivision (b), Arizona Revised Statutes.

12 E. Notwithstanding any other law, if the qualified electors in the
13 union high school district authorize class B bonds to be issued, the union
14 high school district governing board shall issue bonds within three months of
15 the election and shall expend bond proceeds to repay the total loan amount as
16 provided in the loan agreement with the school facilities board.

17 F. Notwithstanding any other law, if the qualified electors do not
18 authorize bonds to be issued, the union high school district governing board
19 shall repay the loan with building renewal monies or unrestricted capital
20 outlay monies based on a repayment schedule outlined in the loan agreement.

21 G. Notwithstanding any other law, if the qualified electors authorize
22 bonds in a subsequent bond election, the union high school district shall
23 expend bond proceeds to repay the remainder of the loan amount.

24 Sec. 60. Building renewal fund suspension

25 Notwithstanding section 15-2031, Arizona Revised Statutes, the building
26 renewal fund shall be suspended for fiscal year 2008-2009.

27 Sec. 61. Retroactivity

28 Sections 32 and 34 of this act, relating to the school facilities
29 board, are effective retroactively to July 1, 2008.

30 Sec. 62. Retroactivity

31 Sections 31 and 33 of this act, relating to the commission for
32 postsecondary education, are effective retroactively to July 1, 2008.

33 Sec. 63. Task force on the Arizona assessment of achievements
34 test

35 A. The task force on the Arizona assessment of achievements test is
36 established consisting of the following members from diverse urban and rural
37 areas who shall be appointed by the state board of education:

38 1. A person with expertise and experience in the academic assessment
39 of pupils.

40 2. A principal of a high school in this state.

41 3. A person with expertise in school finance.

42 4. A person with expertise and experience in high school standards and
43 curriculum.

44 5. A person with expertise and experience in business or industry.

1 6. A person with expertise and experience in high school systems and
2 high school resources, including human resources.

3 7. A person with expertise and experience in the delivery and
4 utilization of technology in high schools.

5 B. The state board of education shall select one of the appointed
6 members to serve as the task force chairperson.

7 C. The task force shall:

8 1. Examine the experiences and outcomes of other states that have
9 adopted tests that are required for the graduation of pupils from high school
10 and that incorporate a national college admission and placement examination.

11 2. Develop methodologies, models and other recommendations for the
12 initial Arizona assessment of achievements test.

13 3. Examine whether the Arizona assessment of achievements test should
14 be a high-stakes test that high school pupils must pass in order to graduate
15 from high school.

16 4. Submit a written report that contains the task force's findings and
17 recommendations by June 30, 2009 to the state board of education, the
18 governor, the speaker of the house of representatives and the president of
19 the senate. The task force shall provide a copy of this report to the
20 secretary of state and the director of the Arizona state library, archives
21 and public records.

22 D. The task force may use the services and expertise of the staff of
23 the legislature and the staff of the department of education.

24 Sec. 64. Delayed repeal

25 Section 58 of this act, relating to the task force on the Arizona
26 assessment of achievements test, is repealed from and after September 15,
27 2009.

28 Sec. 65. Duration of contracts for standardized tests

29 Any contracts executed after June 30, 2008 between the state board of
30 education and a publisher of standardized tests for services provided in
31 connection with the design, modification, administration, scoring or
32 evaluation of the Arizona instrument to measure standards test shall not
33 exceed one year in duration.

34 Sec. 66. Conforming legislation

35 The legislative council staff shall prepare proposed legislation
36 conforming the Arizona Revised Statutes to the recommendations of the task
37 force on the Arizona assessment of achievements test for consideration in the
38 forty-ninth legislature, second regular session.

39 Sec. 67. Debt calculation limit; exemption; reporting

40 A. Notwithstanding section 15-1683, subsection A, paragraph 1,
41 subdivision (a), Arizona Revised Statutes, monies distributed from the
42 university capital improvement lease-to-own and bond fund, established in
43 section 15-1682.03, Arizona Revised Statutes, shall not be included in the
44 debt calculation limit established in section 15-1683, subsection A,
45 paragraph 1, subdivision (a), Arizona Revised Statutes.

1 B. Each university shall report separately in its capital improvement
2 plan what the debt calculation established in section 15-1683, subsection A,
3 paragraph 1, subdivision (a), Arizona Revised Statutes, would be with and
4 without the debt service requirements from subsection A of this section.

5 EMERGENCY NOT ENACTED

6 Sec. 68. Emergency

7 This act is an emergency measure that is necessary to preserve the
8 public peace, health or safety and is operative immediately as provided by
9 law.